AFRICA RECOVERY

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Wave of multi-party demand sweeps across continent

Africans adopt bold charter for democratization

By Salim Lone in Arusha

Responding to the wave of democratic revolutions in Eastern Europe, 500 representatives of African grassroots organizations, governments, United Nations agencies and Northern non-governmental organizations (NGOs), meeting in Arusha, Tanzania, have called on governments to adopt a bold and far-reaching programme of political reform and rejuvenation. Participants at the February conference, organized by the UN Economic Commission for Africa (ECA) and NGOs in pursuance of a UN Africa Recovery Programme mandate, unanimously asserted that the absence of full democratic rights was the primary cause of Africa's unyielding, decade-long economic crisis.

To overcome this crisis, states the African Charter for Popular Participation in Development and Transformation, "there must be an opening up of political processes to accommodate freedom of opinion, and tolerate differences. In this regard, it is essential to establish independent people's organizations that are genuinely grassroot and democratically administered."

The participants did not take a position on whether full democratic rights could best be achieved within a single or multi-party state, reflecting genuine divisions on this issue within Africa. But, within a week of the charter's adoption, former Tanzanian president, Julius Nyerere, one of the principal intellectual architects of single party rule in non-Marxist societies and the current chairman of the ruling Chama cha Mapinduzi (Revolutionary Party), suggested that the time might have come to consider a multi-

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Independent Namibia sets agenda

By Joe Putz in Windhoek and Roy Laishley in New York

Redressing decades of economic and social inequality will be the priority of newly independent Namibia, Prime Minister Hage Geingob said on 23 April. Speaking at the accession of Namibia to the UN, Mr. Geingob said the government's priorities were agricultural and rural development, improving health, nutrition and general access to public facilities, educational reform and the provision of affordable housing.

The government faces a tough task. "We have inherited a lopsided economy," run as a province of South Africa, President Sam Nujoma told his international audience at the independence celebrations on 21 March. While 5 per cent of the population earns an average $14,500 a year, 40 per cent earn only $600 and the remaining 55 per cent a mere $63 a year, according to Namibian officials. They argue that such a distorted income distribution should qualify Namibia for assistance on the most concessional terms.

Immediate priorities include resettling some 30,000 returnees and reconstruction of a heavily inflated civil service, Namibian officials told Africa Recovery. The new-government has inherited a SAR500 mn ($192 mn) budget deficit from the departed South African administration, but its ambitious social programme makes a sig-

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United Nations

UN Secretary-General Javier Pérez de Cuéllar, Namibia's Prime Minister Hage Geingob and General Assembly President Joseph N. Garba of Nigeria at the raising of the Namibian flag at UN headquarters.

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Nigeria's new adjustment strategy

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UN struggles for a consensus on economic co-operation

By Nii K. Bentsi-Enchill

United Nations members have made a unanimous commitment to the urgent task of restoring economic growth and social development in developing countries. A late April Special Session of the General Assembly on economic co-operation agreed on the need to shiftt the focus of international efforts from "short-term adjustment" towards a long-term approach to development. The final declaration called for increased aid from developed countries, further progress by developing countries in economic reform, and continued pursuit of solutions to the debt crisis.

On behalf of the African Group, a Malian spokesman welcomed the declaration's commitment to reversing the negative trends of the 1980s. He later told *Africa Recovery* that while the Special Session had been a positive step, "what counts now is the follow-up and implementation of the undertakings made by the international community."

The Special Session consensus was achieved only after what a United States representative described as "long and difficult" negotiations which added two extra days to the original 23-28 April schedule. Reflecting on the arduous discussions, one African diplomat concluded that Africa must clearly become more self-reliant "rather than looking to industrialized countries for major help in economic recovery."

AFRICA RECOVERY

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Debt, recognized in the final declaration as "a main factor in the economic stalemate in the developing countries," came in for some of the hardest bargaining. Noting the "very minimal" impact of Toronto measures on sub-Saharan Africa, Nigeria's External Affairs Minister Rilwanu Lukman asserted that debt reduction remained an "essential" factor in restoring growth to developing countries. However, specific proposals by the "Group of 77" developing countries on comprehensive debt reduction — including debts to the World Bank and International Monetary Fund, — were absent from the final declaration. They were replaced by acknowledgement of the relief needed for all types of bilateral debt, and the need for "growth-oriented solutions" for countries whose main creditors are governments or "multilateral institutions" (whose names the declaration omitted).

"It was not possible," said Uganda's foreign ministry international relations director Nathan Irumba, "to arrive at the necessary language to recognize the debt problem of the least developed countries (LDCs)." The Special Session agreed that additional resources for LDCs should be considered at the conference in Paris this September. It did reaffirm the target for developed countries of allocating 0.15 per cent of their GNP in official aid to LDCs. Before the session ended, the US said it did not "adhere to the notion" of such targets.

Large net transfers to developed countries, the declaration said, had deprived developing countries of resources and aggravated the political and social problems of the adjustment process. Noting the "devastating" impact of the long-term fall in commodity prices, the Special Session called for multilateral and bilateral help in stabilizing markets and diversifying developing country exports. It insisted on universal resistance to trade protectionism, and increased market access for developing country exports. External support would also be needed for developing countries to promote economic integration and technical co-operation among themselves. And support for the integration of Eastern European countries into the world economy "must not detract from the high priority" on existing support for developing countries, the declaration stated.

There was protracted debate over domestic and external contributions towards economic recovery. Noting the "profound influence" of the major industrialized countries, the declaration affirmed the "pressing need" for an external environment more conducive to the success of domestic reforms in developing countries. Co-ordination of macro-economic policy by the seven leading industrialized countries should "take full account" of developing country interests and concerns.

United Nations

Ambassador Noumou Diakite of Mali who co-ordinated the African group.

Structural adjustment had also prompted strong divergence during the negotiations. While some industrialized countries called for renewed and explicit commitment to current adjustment programmes, developing countries were backed by the UN Secretary-General's Report to the Special Session in calling for the World Bank and the IMF to review their programmes. The final declaration said developing countries should pursue efforts to control inflation, and encourage domestic and foreign investment in order to achieve durable growth. It also stated that social services are a key to both individual welfare and successful development, urging the international community to help arrest the "current escalation of extreme poverty and hunger." To this end, the declaration said the Bank and Fund should have adequate resources to finance programmes that alleviate the adverse impact of adjustment programmes.

The declaration reaffirmed the unique role of the UN in international co-operation, its specialized agencies making an "indispensable contribution to development." Stressing their individual and collective responsibility to make the UN more effective, member countries pledged to use national policies to enhance international co-operation, and to revitalize growth and development in the 1990s. ■

AS OUTWARD RESOURCE FLOWS FROM CONTINENT CONTINUE

IMF toughens stand on African arrears

By Roy Laishley

The International Monetary Fund (IMF) secured a 50 per cent increase in its capital resources at the 7-8 May meeting of its policy-making Interim Committee in Washington. The boost in its lending capacity, however, has been linked to a strengthened effort to eliminate the problem of mounting arrears to the Fund, a move which was opposed by a number of developing countries. IMF managing director Michel Camdessus said the Fund was now well placed to meet the challenges of the 1990s, including an expected increase in demand for its funds from Eastern Europe. Others insist that present reforms will do little to improve IMF flows to Africa and call for more radical solutions.

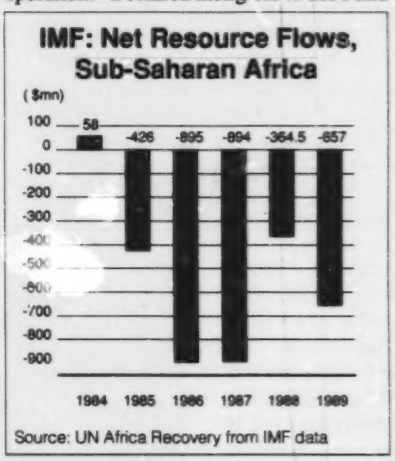
The increase in the Fund's quotas — or subscriptions — to $180 bn comes against the background of continued negative IMF flows to Africa. For the fifth year running there was a net resource flow to the Fund in 1989 from sub-Saharan Africa of $657 mn. For Africa as a whole, the 1989 figure was $279 mn, down from $516 mn in 1988.

Mr. Camdessus recently told a delegation of African business people that the IMF was "impatient to extend" its resources to Africa. But at the Washington meeting donors confirmed that lending would remain conditional on implementation of "strong policies," which observers argue will continue to limit the number of African applicants for Fund resources. This conditionality has been a major factor in the relative ineffectiveness of ESAFs in Africa, with only $573 mn disbursed by end-March from the $6 bn concessional facility set up in late 1987.

Mounting African arrears

The IMF currently has programmes with 29 African countries. But many disbursements have been delayed, or stopped altogether, as collapsing commodity prices or other unforeseen circumstances made it impossible to meet performance targets. During April, the IMF began urgent reviews of its programmes in Côte d'Ivoire and Gabon after riots and strikes compelled both governments to suspend agreed cuts in public sector wages and expenditure.

The IMF's problems in Africa have been deepened by the growing incidence of countries falling behind in their repayment obligations. Out of total arrears to the Fund of some $4bn, $2.7 bn are owed by five African countries — Liberia, Sierra Leone, Somalia, Sudan and Zambia. Prompted by the United States and others the IMF has been taking a tougher line against countries in persistent arrears. At the end of March Liberia was declared to be "in non-co-operation." Declared ineligible to use Fund resources in 1986, Liberia's arrears now total $453 mn. Sudan — the Fund's worst case, with outstanding obligations of over $1.1 bn —was similarly told at the end of February that it was in danger of being declared in non-co-operation.



Source: UN Africa Recovery from IMF data

Liberia had been warned that at the next review meeting, scheduled for the end of August, it faced expulsion from the Fund. According to the Interim Committee's decision, the IMF's articles of agreement will now be amended to give its executive board the power to suspend countries. The amendment requires an 85 per cent approval by the Fund's members before becoming effective and final ratification of the quota increase — not expected before the end of 1991 — will be dependent upon the amendment being agreed.

The get-tough approach to the arrears issue, however, includes a new initiative to help countries meet their overdue obligations. Countries implementing an IMF/Bank approved adjustment programme will be able to accumulate borrowing rights under ESAF, without being able to actually borrow from the facility. The Fund hopes that a strengthened support group of donors will be in a position to furnish the balance of payments assistance normally provided by the Fund in such programmes, as well as the funds needed to meet the country's upcoming IMF payments.

When sufficient ESAF rights have been accumulated to pay off the outstanding arrears, the Fund envisages that the lead country in the support group would organize — either from its own budgetary resources or in collaboration with other members — bridging funds which would be used to pay off the arrears. The Fund would then be able to disburse all of the accumulated ESAF rights — possibly in conjunction with the first tranche of a new borrowing arrangement — which would enable the country to immediately pay back the donor.

Countries which abandon their adjustment programme, for reasons other than factors outside their control, will also lose all of their accumulated rights. In this situation the Fund will have the right to sell off part of a member's gold holdings to meet any ESAF obligations.

Support group crucial

The scheme is crucially dependent upon a strong and generous support group — a notable deficiency in earlier efforts to solve the problem of countries in arrears, observers say. There is also a question of how long it will take countries to earn sufficient ESAF rights to pay off their arrears. In the case of Zambia, considered a front-runner for the scheme, even accumulating rights at the maximum permitted under ESAF rules — which implies an extremely rigorous adjustment programme — would not meet present arrears (in excess of $1 bn) within the normal three-year span of an ESAF under present quota levels.

However well the scheme operates, it will only directly benefit a relatively small group of African countries. It will necessitate a further extension of ESAF which is due to end this November after already being extended once. The extension is expected to be agreed by the Fund's board at a meeting, still to be fixed. The review is expected to consider ways in which the scope of ESAF can be broadened. But proposals for ESAF funds to be used for debt reduction purposes — this is presently restricted to the Fund's regular accounts — are not likely to be accepted.

The arrears strategy and a modified ESAF will only modestly improve the IMF's position in Africa, observers say, and may not reverse the pattern of negative transfers. Therefore, calls for more radical solutions to multilateral debt — instead of mere refinancing — are certain to continue. ■

Literacy: an investment in Africa's economic growth

Targeting increased resources to primary education and literacy — especially for girls and women — is urgently needed if the goal of attaining universal basic education by 2000 is to be met, said delegates to the 5-9 March World Conference on Education for All. Held in Jomtien, Thailand, the conference was the largest of its kind ever, with 1,500 delegates from 155 countries. A framework of action, drawn up at the conference as a reference guide for governments, non-governmental organizations and others, calls on governments to shift budgetary allocations to reflect the new priorities and argues that $50 bn in additional funding will be needed over the decade to meet the new target.

To achieve this level of spending increased international aid is vital, the Jomtien Declaration on Education for All asserts. All four of the conference organizers, UNDP, UNESCO, UNICEF and the World Bank pledged to double their own funding for education. Many participating NGOs likewise vowed to step up their educational efforts. The conference declaration stresses that a solution to the debt crisis afflicting so many developing countries and an end to growing global disparities were essential prerequisites if countries are to be able to release sufficient resources to provide basic education for all their citizens. Special protection for basic education is needed in countries undergoing structural adjustment, the declaration states.

UNICEF/Carolyn Watson

Zimbabwe's education programmes stress the importance of giving adults, especially women, access to literacy and numeracy skills.

By Ernest Harsch

This year has been declared International Literacy Year by the UN. If efforts to create more sustainable growth in Africa are to succeed, then higher literacy levels are crucial, educators argue. "Education is the key to development," stated World Bank President Barber Conable. "A nation simply cannot hope to sustain economic growth and alleviate poverty without a literate and numerate population."

Eighteen women in the Togolese village of Bowouda, illiterate a decade ago, have since learned not only how to read, write and do arithmetic, but also how to apply their new skills in a soap production co-operative. Their initial financial investment has been returned ten-fold. The Togolese government's Women's and Girls' Literacy Programme, with technical assistance from UNESCO, had encouraged the co-operative venture in the belief that linking productive activity with literacy training could benefit both.

Newly literate women in Tanzania's ujamaa village of Matetereka have participated in the production of a Swahili-language booklet describing how they organize their timetables of individual and communal work, make bricks, and manage the village grinding wheel and day-care centre. Printed by the women's section of the Institute of Adult Education in Dar es Salaam, it is intended for distribution throughout the country to help other women extend their reading abilities and to impart useful information on concrete social, nutritional and economic questions.

The progress made through such literacy campaigns has increased the awareness of many African policy-makers of the direct and very practical links between literacy and economic development.

Between 1960 and 1985, the adult literacy rate for sub-Saharan Africa was raised from a mere 9 per cent to over 40 per cent. The literacy rate for all of developing Africa (including North Africa) is now estimated at over 50 per cent.

Much of this increase came as a result of the enormous expansion in formal schooling. But in some countries, such as Ethiopia and Tanzania, intensive adult literacy campaigns were also launched. By the late 1970s most African countries had some kind of literacy programme in place, and many also had a variety of out-of-school courses, vocational training and educational equivalency programmes for adults.

Yet the magnitude of the problem remains severe. Africa's rate of adult illiteracy is the highest in the world. Of the 14 countries in the world with illiteracy rates higher than 70 per cent, 10 are in Africa. And while Africa's illiteracy rate has been declining, limited resources and the continent's high population growth rate have ensured that the number of illiterates continues to rise: from 140 million in 1970 to an estimated 165 million in 1990. Reflecting the prevalent neglect and discrimination that women face in education, as elsewhere, just over 100 million of these adult illiterates are female — 62 per cent of the total.

Effectively reducing Africa's blight of illiteracy has become all the more difficult because of the continent's severe economic crisis and the policies employed to combat it. Measures to cutback government spending have compressed many education budgets.

"We don't have trouble convincing ministers of education that education is important," says Colin Power, UNESCO's Assistant Director-General for Education. "We do have trouble convincing ministers of finance to part with more money for textbooks and schools."

READEX FICHE

The *ad hoc* nature of financing for most literacy programmes has made them especially vulnerable to cuts, with many governments more anxious to preserve as much as possible of the formal education budget. Expenditure on formal schooling, however, has also been cut back, at least in real terms. The consequent deterioration in the quality of education and the lower enrollment and higher drop out rates are increasing the pool of youths who are beginning to swell the ranks of adult illiterates.

Aid flows have not come to the rescue. In the 1980s, international financial assistance to education in developing countries remained stagnant, at best. Aid from multilateral donors increased only by about 1 per cent between 1980 and 1986, while there was a net decrease in funding from the major bilateral donors. World Bank lending to education in Africa fell sharply last year but during the 1980s held steady, in nominal terms, at some $110 mn a year, or just over 5 per cent of total lending to Africa.

Generally, the largest share of educational spending, both by governments and donors, has gone to secondary and higher education. Primary schooling and adult education, including literacy training, usually receive the smallest amounts. This is an imbalance that many hope will change in the wake of the Jomtien conference.

Mobilizing the grassroots

The challenge facing Africa is to find ways in which progress against illiteracy can be made within the constraints of available financing. This has highlighted the importance of cost-effective methods, above all reliance on local community initiatives.

Tanzania, which is among the poorer African states, provides an example of what can be accomplished even with limited financial resources. After declaring the eradication of illiteracy a national priority in the early 1970s, the government mobilized university and secondary students and retired teachers to serve as literacy instructors, many on a volunteer basis. The drive was centrally co-ordinated, but much of the local work was done through a variety of organizations, ranging from agricultural co-operatives to youth and women's associations. Through such mass mobilization, Tanzania has now attained a literacy rate of 90 per cent, the highest on the continent, although significant reductions in education's share of the central budget in the 1980s will make the maintenance of this rate difficult.

Other African countries have also experimented with elements of a mobilization approach. In Ghana efforts have been made to enlist women's groups, churches and district-level organizations to help implement functional literacy programmes. In Mali and Burkina Faso, among other countries, villagers themselves have constructed literacy training centres, and often provide some form of payment for the literacy organizer.

Even though part of the costs can be covered locally, mass literacy programmes inevitably place demands on central budgetary resources. One particular difficulty — and expense — stems from the multiplicity of languages that often must be used in literacy programmes. Many educators now agree that teaching literacy in the local language, at least at the initial stage, is essential for success in rural areas. But this often involves the production of new teaching material, adding to costs.

A link in the development chain

Delegates to the Jomtien conference stressed that adult literacy is no longer being seen as just one goal among many, but as an integral and essential ingredient in the overall development process, with a beneficial impact in such diverse areas as child nutrition, women's status, culture, agricultural productivity, and political participation. This shifting perception is also affecting how the cost of literacy programmes is viewed: less as a low-priority social expenditure that can be chopped in times of economic austerity, and more as a vital investment in future growth and development.

Studies in a number of countries have found a high correlation between mothers' literacy and child health and lower infant mortality. Literacy has also shown its potential for boosting the self-confidence, status and skills of women — the primary producers in much of rural Africa.

Beyond immediate questions of productivity, the skills that accompany literacy are also being seen as a key element in strengthening rural organization. Speaking at the International Conference on Popular Participation in Economic Development held in Arusha, Tanzania, this February, Lalla Ben Barka of Mali described how Malian literacy trainers have been seeking strategies capable of introducing "a new profile of functional literacy and of rural leadership that genuinely promotes development and makes for training of the rest of the community." Burkina Faso's 1986 "Alpha Commando" literacy drive demonstrated the effectiveness of beginning with existing rural leaders — such as heads of cereal banks or credit unions — so as to improve the functioning of village organizations.

Both in agriculture and in small-scale, informal enterprises, training in literacy and numeracy has been shown to improve not only the efficiency of existing operations but also to broaden the income-generating opportunities for the recently literate.

In a small village classroom in Doundouni, in Burkina Faso, 19 men and one woman, all recently literate, practise filling in an accounts ledger with the millet production costs and sales revenues of their local village association. Says Adama Ouédraogo, an agricultural extension officer, "Before, even if there was a literacy class, the peasants wouldn't come. They weren't interested. But now they see that what they can learn is useful. So they come."

With more resources now promised for such basic learning skills, educators are hoping that Africa's drive to eradicate illiteracy can continue, thereby giving increased economic and social power to the majority of Africa's people. ■

Vital role for Africa's rural press

One vital follow-up to literacy training in Africa has been the rural press. Until recently these indigenous-language newspapers received little systematic institutional support, but are now viewed as an important means both for strengthening the reading ability of newly literate villagers and passing on to them useful information. They are also playing a role in developing the written form of African languages.

Often with assistance from UNESCO, numerous such newspapers have been launched in recent years: papers in Mandinka and Bambara in Mali, Zerma and Hausa in Niger, Swahili in Kenya and Tanzania, Mooré in Burkina Faso, Shona in Zimbabwe, among many others. Some have built up wide circulations. Kwayedza, a Shona weekly launched in Zimbabwe in 1985, distributes 80,000 copies, but is estimated to have an average of more than 11 readers per copy.

Editor Paul Chidyausiku says Kwayedza helps "new literates to acquire a reading habit. The paper keeps the people informed of what is going on in their own country, provides instructional material in health, mother and child care, simple farming, self-reliance, and, of course, to help Zimbabweans rediscover themselves and to take pride in their own culture — starting with pride in their own language."

NIGERIA

Adjustment's new phase

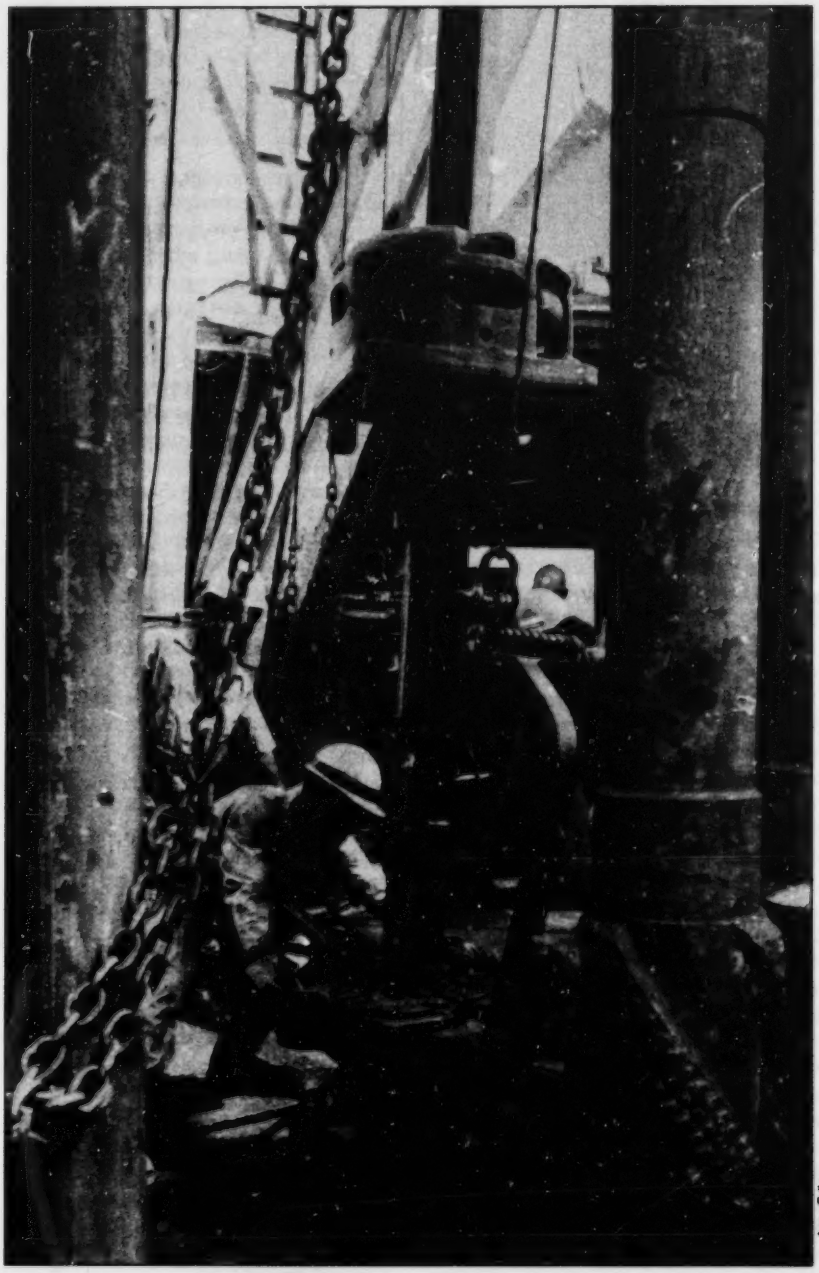
Nigeria is at a "turning point" in its programme of political and economic transition, President Ibrahim Babangida declared at the beginning of the year. The announcement, in his January 1990 budget speech, of a three-year "rolling" development plan marked the government's intent to move to a new phase of adjustment in which the long-term transformation of the economic base will be the prime focus.

The plan will run in parallel to a crowded political programme of return to civilian rule in 1992. This brings added challenges to the government as the population looks for signs of success after four years of sacrifice. April's attempted coup in Lagos emphasized the volatile conditions in which the government must implement its dual programme.

By Patrick Smith

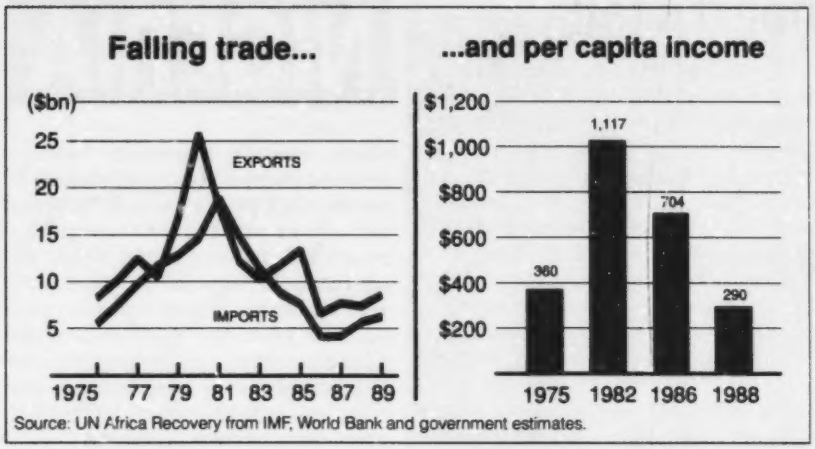
Nigeria's new three-year plan will try to transform the country's economic base while halting more immediately the recent fall in living standards suffered by many people. Diversifying Nigeria's economy away from oil, upon which it depends for some 90 per cent of its export revenues, was an integral part of the first phase of the structural adjustment programme (SAP), which formally got underway in 1986. But it took second place to the perceived need to stabilize the balance of payments following the fall in oil prices in 1986. After a period of economic boom, with exports rising to $26 bn in 1980, from a mere $4 bn in 1975, the country plunged into a deep recession, with earnings falling to only $6.6 bn by 1986.

Aided by a limited recovery in oil prices, the government believes its mixture of strict fiscal policies, devaluation of the naira and a rescheduling of mounting debt obligations has laid a stable, albeit fragile base for



Anna Tully

Patrick Smith is the editor of the London-based Modern Africa.



Source: UN Africa Recovery from IMF, World Bank and government estimates.

economic transformation. The goal of the N144 bn ($18.5 bn) three-year Economic Consolidation and Expansion Programme (ECEP) is to diversify Nigeria's productive base through higher levels of investment in agriculture, industry and energy, backed by a much-needed overhaul of basic infrastructure — transport, water and power. Intimately linked to this is a programme — already well underway — of privatization and commercialization of major public sector companies. Some N50 bn of total investment during the ECEP is expected to come from the private sector.

An integral part of ECEP is investment in the social sector. This is an acknowledgement of the need to halt the drastic fall in living standards that occurred during the first phase of adjustment (see page 11). Nigeria's SAP has not been able to prevent it again becoming one of Africa's poorer countries. The brunt of Nigeria's economic decline has been borne by its urban population, a fact marked by serious riots and protests. Part of the ECEP's task will be to bring some immediate relief.

Stabilizing the economy

Nigeria's adjustment programme was born in the rollercoaster effect of plunging oil prices. After peaking in 1979 and 1980, prices took a protracted downward plunge, recovering briefly in 1985. With production also down, the impact on Nigeria's foreign exchange receipts was startling. By 1983 export earnings were down 60 per cent on their 1980 level and fell a further 50 per cent in 1986. Imports also crashed — from $22 bn in 1981 to $6 bn in 1986 — with drastic consequences for economic activity, incomes and employment.

Between 1980 and 1985 Nigeria's GDP declined by an average 3.2 per cent a year. The World Bank estimates that GNP per capita, having risen from $360 a head in 1975 to over $1,100 by 1982, was down to $700 by 1986. The situation was made worse by accelerating inflation as the import squeeze was passed on into retail prices. At the same time, Nigeria's foreign debt increased threefold — from just under $9 bn in 1980 to more than $23 bn in 1986 — imposing a payments obligation the country was in no position to meet. With significant capital flight also occurring, Nigeria's overall payments position was deteriorating, with severe implications for its highly import-dependent economy.

Faced by the rapid decline in the economy, Major-General Babangida's military government, which took power in August 1985, decided to undertake the more radical adjustments avoided by its predecessors. The major factor behind this decision was the need to secure external support for a rescheduling of debt payments due in 1986. To obtain rescheduling of medium and long-term debt, Nigeria needed an economic reform programme approved by the International Monetary Fund (IMF).

Aware of popular antipathy toward the IMF, however, Babangida launched a national debate which focused on the single question of borrowing from the IMF. The option of an IMF loan was rejected and a "homegrown" adjustment programme was launched.

The programme, however, was devised in close collaboration with the World Bank, which agreed to provide a major adjustment credit. The IMF itself approved a standby facility under which Nigeria's economic performance would be monitored on the standard quarterly basis, but the government declined to make use of the available funds. The accord, however, was sufficient for agreement to be reached on the rescheduling of $6.8 bn of official and $4.7 bn of commercial debts in late 1986.

The need for short-term fiscal balance predominated in the first phase of Nigeria's "homegrown" SAP. The programme began in September 1986 with the replacement of a fixed exchange rate by foreign exchange auctions. Although this more market-oriented regime was implemented with the aim of minimizing the inflationary impact of devaluation, the naira has since depreciated fivefold (see page 8).

From the beginning, the exchange rate reforms were linked to a number of other measures — a squeeze on public borrowing and a tightening of credit — partially aimed at cutting the demand for imports. The import regime was liberalized, ending licencing and generally reducing the level of import duties.

In mid-1986 the state agricultural marketing boards were abolished permitting the private sector to purchase and export crops such as cocoa and palm oil. At the same time, exporters were allowed to retain all of their foreign exchange earnings.

As part of tighter credit policies, interest rates were first raised and then, in mid-1987, completely deregulated. This was coupled with the gradual removal of price controls and cuts in many subsidies, particularly those for fertilizer and petroleum products, as part of a programme to reduce the growth in public expenditure and commercialize — make self-financing — the operations of the public sector. As the commercialization programme takes root, as much as N2 bn in withdrawn government subsidies could be saved, according to Dr. Hamza Zayyad, chairman of the technical committee on privatization and commercialization.

Economic impact of SAP

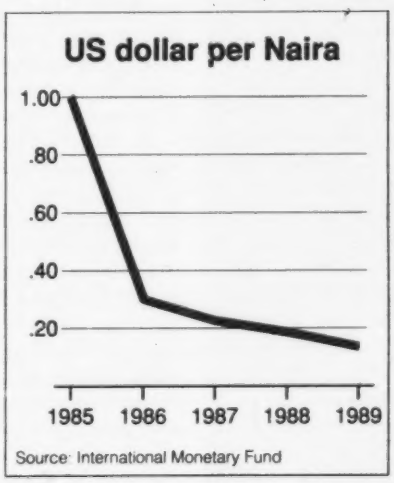
The impact of Nigeria's first phase of structural adjustment has been mixed. The payments outflow has been eased. Imports have been cut drastically, though only partly as a result of devaluation. The 1986 ban on wheat and rice imports has saved at least $500 mn a year. Rising prices, coupled with increased output in the last two years, have led to some recovery in oil revenues from the 1986 low of $6.2 bn. Estimates for 1989 suggest oil earnings of at least $8 bn. Fluctuating world prices have continued to play havoc with non-oil receipts, which, at best some $400 mn in 1989, remain below 1980 levels. However, market liberalization, combined with the devaluation of the naira, have conferred real benefits to exporters of agricultural products, such as cocoa and palm oil.

The adoption of the SAP has permitted significant debt rescheduling to take place. Some $15.5 bn of Nigeria's $32 bn foreign debt has been rescheduled resulting in sig-

Pacing the naira's fall

A substantial devaluation of the naira was considered to be essential for the success of Nigeria's adjustment programme. It would give a competitive edge to Nigeria's non-oil exports and provide a sharp price disincentive to imports. The objective was to strengthen trading balances, and to encourage a shift in productive resources from import dependence to export promotion. Africa's experience of the economic and social turmoil that could result from too-rapid a depreciation of the exchange rate and the resulting inflationary spiral, led the government to implement a system which would enable it to regulate the pace of depreciation.

In September 1986 the government established a two-tier exchange rate: an official rate, administered by the central bank and used mainly for debt servicing, and a second-tier rate which would be fixed by a weekly auction at which banks would bid for foreign exchange on behalf of their clients.



Source: International Monetary Fund

The auction exchange rate was essentially determined by the volume of foreign currency on offer — initially $75 mn a week. In subsequent weeks, however, continuing foreign exchange shortages reduced the volume on offer, and the central bank was increasingly forced to use procedural changes in order to slow down the rate of depreciation.

By mid-1987 the central bank had succeeded in devaluing the first-tier rate sufficiently to merge it with the auction rate. This meant there were now three rates for the naira: the auction rate; the autonomous, or inter-bank rate, which received its funds from the foreign earnings retained by exporters; and the parallel, or black market rate which remained as some measure of the real market value of the naira. Determined to unify all three rates, the government set up a daily foreign exchange rate fix at the beginning of 1989, which was deemed as the rate the banking sector should use for all its foreign transactions, including the inter-bank rate.

Immediately, the naira plunged 30 per cent — from N5.3 = $1 to N6.8. A significant cut in funds available (from $55 mn a week to $35 mn) was one factor in the strong downward pressure on the naira. However, the government's relaxation of its tight credit and other monetary policies in the first half of 1988, along with a reflationary budget, had already significantly increased the demand for foreign exchange at a time when its supply continued to be constrained. In April and May 1989 the government took measures to cut the demand for naira, removing parastatal deposits from banks and banning loans made against overseas deposits. In an effort to impose some control over the parallel and autonomous rates, the government introduced foreign exchange bureaux in mid-1989, similar to those already in operation in Ghana. These were allowed to fix their rates for transactions up to a ceiling of N50,000 without central bank intervention. The bureaux exchange rates started off averaging some 40 per cent lower than the official rate, some N9-10 = $1. By the close of the year with the official rate at N7.65, the differential between the rates was closer to 10 per cent.

The next step is for the government to merge its official and bureaux rates. With the monetary brakes fully applied, the timing of the merger will largely depend on foreign exchange supply. This will in turn be partly determined by economic performance, as well as by increased debt relief and improved aid flows.

The naira's exchange rate, therefore, is only partially within the government's control. "People always expect the naira to decline, but if Nigeria becomes more self-reliant our currency will strengthen, and if we continue to import more than we export, it will weaken," Minister of Budget and Planning, Abubakar Alhaji points out. ■

NIGERIA

nificant reductions in payments of both interest and principal. Against scheduled debt payments in 1989 of close to $6 bn, actual payments are estimated to be between $2.1 bn and $2.9 bn. In the 1990 budget the government has allocated $2.1 bn for debt servicing against original scheduled payments of some $5.2 bn. However, the devaluation of the naira has vastly increased the burden of debt servicing, with total servicing costs scheduled to eat up 47 per cent of the overall federal budget in 1990.

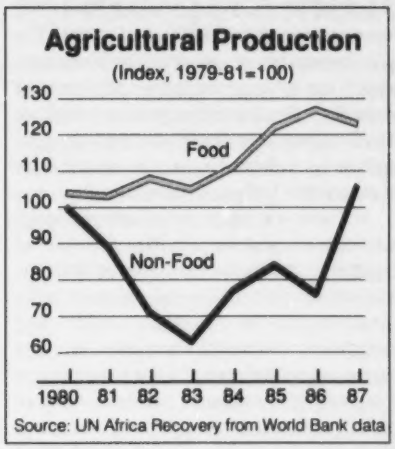
Even with a degree of debt relief, servicing is still expected to equal some 30 per cent of export earnings. With other capital inflows weak — the government estimates that investment currently averages $500 mn a year, but aid flows, at best some $1bn, do not compare with the previous level of commercial borrowing — Nigeria remains a net exporter of capital. The resulting shortage of foreign exchange continues to be a major constraint on efforts to stimulate growth in the economy, as government officials concede, and threatens the expansion in social spending envisaged in the ECEP.

Gains for agriculture

Agriculture has probably benefited most from the market-oriented reforms of the adjustment programme, which have directed more resources to the rural areas. Production has generally risen, though poor rains in 1987 and again last year, demonstrated the continuing vulnerability of the food crop sector to weather conditions. This sector also suffered from rising input costs — the combined impact of devaluation and lower subsidies — but this effect has been mitigated by rising farmgate prices since 1988.

Nevertheless, overall production has tended to stay well ahead of population growth. The import ban on wheat, rice, maize and barley has raised demand for local staples, while also encouraging farmers to grow previously imported crops, such as rice, where local production now meets half of domestic demand.

The impact on manufacturing has been more mixed. After falling sharply in 1986, the sector showed strong growth in 1987 and 1988 of 5 per cent or more. Reflationary moves in 1988 — shown by rising money supply and a relaxing of credit restrictions — encouraged demand and hence sales. Capacity utilization rates, already up on



pre-SAP levels of 25 per cent, shot up to average 40 per cent.

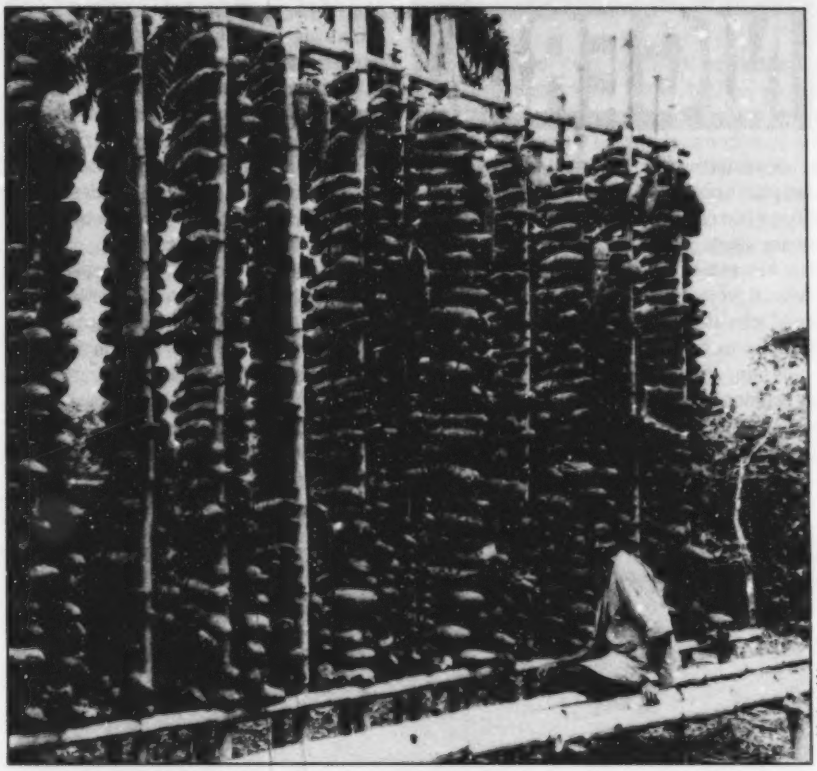
Charging higher prices, firms registered improved profits despite rising costs. Conditions deteriorated sharply last year, however, as the government applied the monetary brakes, restricting credit and sharply reducing the availability of naira. The measures were taken to counter an accelerating inflation, which rose to over 50 per cent in the first half of 1989, and had an instant adverse impact on demand. Capacity utilization rates averaged only 31 per cent as firms cut back on production.

The government's restrictive measures appear to be slowing the inflation rate. Many firms have been compelled to reduce prices. But with costs continuing to rise — interest rates reached nearly 30 per cent in 1989 — many companies are facing severely reduced profits. Dr Dapo Fafowora, executive director of the Manufacturers Association of Nigeria (MAN), argues that the shortage of foreign exchange is a central problem for his members. But he also points to high interest rates, low credit ceilings and poor demand as other negative factors.

MAN claims that up to 20 per cent of manufacturers have gone out of business, arguing that Nigeria is on course for "deindustrialization." In contrast, World Bank officials assert that trade liberalization, particularly the removal of import surcharges, is putting Nigerian industry on a much more efficient and competitive footing. A largely protected pre-SAP sellers' market has been turned into a more open buyers' market in which firms have to be far more cost-conscious to survive. Devaluation has opened up new possibilities for productive investment, with local manufactures able to compete with imported goods.

Government officials dismiss fears that trade liberalization in particular is leading to "deindustrialization" by pointing to the relative success of some sectors. Textile and rubber companies, for example, able to respond to the government's encouragement of local sourcing, registered utilization rates in 1989 of well over 50 per cent.

Heavily import-dependent sectors, such as vehicle assembly, have not fared so well, with utilization rates falling to 10 per cent or less and some factories closing. Moreover, some of the threatened industrial sectors, such as metal fabrication, where utilization rates fell to 15 per cent, are vital intermediaries in the development of manufacturing in Nigeria. With the rate of rationalization outpacing the ability of more successful sectors to compensate for lost jobs and output, critics have argued that the shake-out has gone too far. The problem was recognized in the government's decision, last year, to accede to demands for a revision in the tariff schedule, effectively raising the level of protection enjoyed by Nigerian manufacturers. The schedules are effective only for seven years, but their adoption reflects the fine-tuning needed in Nigeria's adjustment programme if the development objectives outlined in its new ECEP are to have any chance of success.


Modern Africa

Almost 90% of Nigeria's food is grown by smallholder farmers who are responding to improved price incentives.

The new three-year plan

Investment is the key word in the new three-year plan. Under the public sector component of the plan, agriculture and the social sector are the priorities, each accounting for 20 per cent of planned expenditure. Agricultural investments will continue to concentrate on the peasant farmer, "who will be assisted in every way to increase his productivity, as well as preserve and market his products." The Agricultural Development Programmes — which have created a series of centres to provide inputs and extension services — will continue as the core of the strategy. Establishment of a system of strategic food reserves, the government hopes, will improve food security and help to stabilize prices while addressing the acute problem of crop losses from poor storage and distribution networks.

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Manufacturing is allocated 4 per cent of the plan's public sector investment, with a higher percentage expected from the private sector share. The privatization programme is a key means for achieving this goal. Industrial projects listed include the Ajaokuta and Delta steel plants and backing for the machine tools sector.

A number of schemes linked to the energy sector are included under manufacturing and, despite the stated aim of diversifying the economy away from dependence on this sector, oil and gas projects account for 40 per cent of anticipated investment by the private sector. Much of this will go on the development of an export capacity for liquified natural gas (LNG), expected to require investment of some $2.5 bn. Contracting has started on the $900 mn development of the Oso condensate field, though financing has still to be completed. Also planned are the $855 mn second phase of an ambitious scheme to develop a petrochemicals industry and a $500 mn expansion of the country's fertilizer capacity. This is in addition to on-going investment to expand oil extraction capacity, which could involve expenditure approaching $25 bn over the next five years. This would increase recoverable reserves to 20 bn barrels from about 16 bn, and present output capacity from 1.84 mn barrels a day to 2.4 mn.

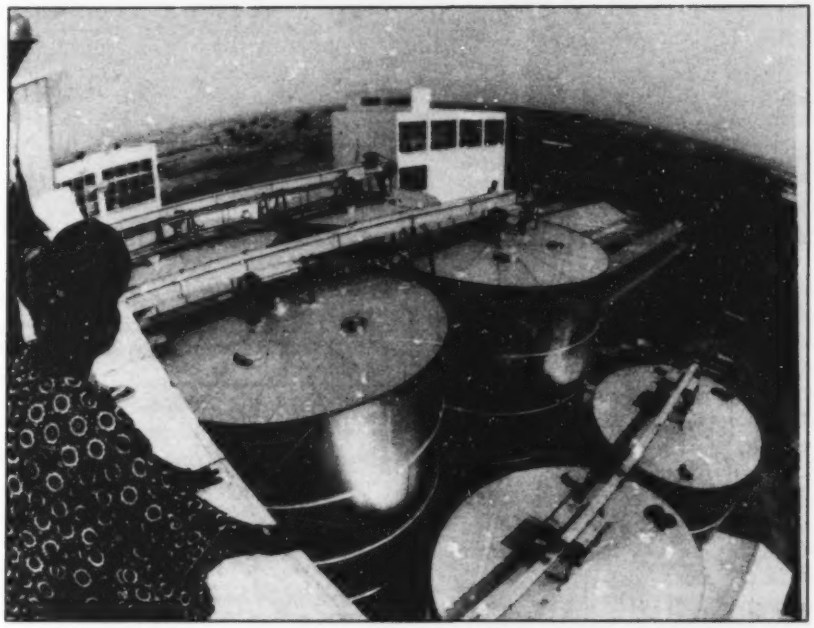
Backing up sector developments will be increased investment in Nigeria's transport infrastructure, virtually all of which is run-down. Much of planned investment — just under N6 bn has been earmarked from the public sector alone — is targeted at a mass transit programme, improving both rail and bus services, and at rehabilitation of major highways, sea ports and airports.

A major departure in the new planning system is the emphasis on the role of the private sector, which is scheduled to provide a third of total investment capital in the plan. Since the beginning of 1989, the government has made a major effort to encourage new investment by liberalizing the investment laws and by privatizing parts of the state sector. These complement changes in fiscal policies designed to mobilize savings and channel them into productive enterprises.

The new industrial policy amended the Nigerian Enterprises Promotion Decree (1977) to allow foreigners 100 per cent equity ownership of any new business apart from strategic areas such as petroleum, mining and banking. "Unfortunately, new foreign investment is not as high as we had hoped," Minister of Budget and Planning Abubakar Alhaji admits, "because of impediments such as the difficulty of acquiring land or the lack of infrastructure facilities."

The government has had some success in attracting investment through a debt-for-equity conversion programme, the first formalized system in Africa. Through an auction system, conversion of some $1 bn worth of debt into naira investments had been approved by the end of 1989. The government has set priorities for investment under the scheme, including all forms of manufacturing, particularly those which are locally sourced or employment creating, as well as agriculture, forestry, mining and the promotion of technical innovation.

A wide-ranging privatization programme is a key element in Nigeria's drive to boost investment for its economic transformation. Dr. Hamza Zayyad claims it is the most ambitious in the world. The programme covers 92 companies in every sector except defence. By the beginning of this year, 16 companies had been fully or partially privatized through public offerings of shares. Others have been sold through private placement, and the assets of the remaining less attractive companies were sold to the highest bidder.



Flour Mills of Nigeria, an early example of successful privatization. Small investors have taken up most of the shares.

Dr. Zayyad believes the commercialization programme will have the more significant effect on the economy: "The role of institutions like the electric power company and telecommunications company is critical. If they can operate more efficiently, the whole economy will benefit. The lasting benefit is deregulation which will enable new private investment to be made in areas like paper, fertilizer, industrial petrochemicals and steel where the government's role has been so large."

Economic prospects brighten

The ECEP is beginning at a time when Nigeria's economic prospects have become brighter. A substantial expansion in the oil, gas and petrochemicals sectors, now getting underway, should sustain a growth in real GDP of 4.4 per cent a year over the next three years, according to the plan's projections. This is assuming there is no sudden collapse in oil prices during this period — prices fell by $3 a barrel in April, sounding alarm bells for the 1990 financing gap.

Weather conditions permitting, the agricultural sector should continue to ex-

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Finding funds to defend the social sector

The effects of Nigeria's economic decline have quickly eroded many of the fragile gains in the social sector which the oil boom had permitted in the early 1980's. Even then, despite a spectacular rise in average per capita income to over $1,000, much of Nigeria had remained poor.

The sharp fall in revenues from the mid-1980s has devastated ambitious plans for expanding education and health care. The combination of rising inflation from the beginning of 1988 and falling incomes — especially in the urban areas — has had an equally devastating impact on the spending power of families. Average real wages by end-1989 were some 40 per cent lower than in 1980. Rising unemployment — officially estimated at 3 million people, but affecting 5 million people according to the Nigeria Labour Congress — has pushed many into a downward spiral of poverty. By the end of the 1980s, average incomes had fallen below $300 a head, lower than in 1975, with a sharp increase in people living in absolute poverty.

Nigeria's oil wealth had enabled some improvements in social infrastructure. A drive to achieve universal primary education raised enrollment rates from close to 30 per cent in the mid-1960s to well over 90 per cent by 1980. Spending on health also accelerated, though much of it centred on hospital construction in urban areas. Some spectacular results were achieved: the number of doctors rose from one for every 30,000 people in the mid-1960s to one for every 8,000 in 1984. The number of nurses showed a similar dramatic improvement, rising from one for every 6,000 people to one for every 1,000 over the same period.

Spending in these areas has been badly hit by falling revenues and the greater priority given to other sectors. Education's share of the federal budget fell from an average of 7.5 per cent in 1980-85 to around 3.5 per cent in the second part of the decade. Health's share has also fallen, at a time when the size of the overall budget has been cut, particularly in real terms.

Nigeria's expansion of its social infrastructure has come to an abrupt halt. Hospitals, like many factories, have become run down, their access to drugs and vital equipment choked off by the drying up of foreign exchange. The education enrollment campaign has stopped. According to World Bank figures, primary school enrollment rates have fallen back to 75 per cent, with many areas reporting rates of between 30-60 per cent only.

The new three-year rolling plan recognizes that this deterioration in social services must be reversed as part of the wider effort to ease the cost of adjustment and protect living standards. The government has allocated N9.3 bn for social sector spending, some N7 bn of it for education and health. Improved water supply and environmental planning have been allocated another N3.8 bn. There are plans to improve food security and increase people's access to credit facilities. Proceeds from the 600 per cent hike in the price of kerosene, expected to total N453 mn a year, will be channelled into the newly established People's Bank.

Improving access to clean water is one of the priorities of the government's new three-year plan.

Maggie Black/UNICEF

The bulk of social sector spending is earmarked for primary level education and health care. In the last three years Health Minister Olikoye Ransome-Kuti has shifted the emphasis away from capital investment in specialist hospitals to the generalized provision of primary health care. The ministry estimates that no more than 35 per cent of the population have access to modern health care. "Most of the death and serious illnesses among Nigerians are due to conditions which are easily preventable or which can be treated with simple remedies," the ministry says.

Low-technology solutions are seen as the way to overcome financial constraints and infrastructural problems such as shortages of power and water. Well-targeted campaigns can achieve success despite present economies; the percentage of children under one receiving innoculations against diphtheria, pertussis and tetanus (DPT) fell from 24 per cent in 1981 to 20 per cent in 1986, but had climbed up to 58 per cent by 1988, according to the latest estimates from UNICEF.

There are strong economic, social and political reasons that make an alleviation of the costs of adjustment and a renewed priority for the social sector an imperative for the success of Nigeria's efforts to achieve sustainable growth. But improving the rate of job creation, protecting or raising incomes, ensuring food security as well as enhancing social infrastructure inevitably represent a significant charge on the public sector.

One way out of the dilemma is to finance much of this increased spending with external concessional resources. The successful guineaworm campaign, which effectively used concessional private Japanese funding, is an example of what can be done. Nigeria has an impeccable case: with less than $1 in aid receipts per capita, it has by far the lowest aid inflow in Africa, which averages $26 a head. Increased concessional aid, however, will require changed perceptions in the treasuries of Western countries which continue to view Nigeria as an oil-rich, middle-income country, despite its new eligibility to borrow from the World Bank's soft-loan affiliate, the International Development Association, reserved for the world's poorest countries. ■

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pand, backed by significant funding from the World Bank, African Development Bank and others. Capacity utilization in industry is also projected to rise to around 35 per cent as demand improves, permitting some increase in jobs. MAN, however, says utlization rates are still falling and any gains are likely to be small. Measures to encourage higher-value non-oil exports, such as the ban on the export of raw cocoa beans, scheduled to come into effect next January, could backfire. Installed capacity can process only half of the current crop, with no guarantee that the higher-value cocoa products will find a ready market, while existing customers for Nigeria's beans look elsewhere.

Modest expansion of non-oil exports, coupled with only a slow improvement in oil receipts until planned investments start to bear fruit, means that foreign exchange will remain tight and the debt servicing burden heavy. Recent negotiations with both official and commercial creditors have proved difficult. Nigerias's case for greater debt relief could be raised at the Western economic summit in July, following strong representations by the government.

The government has stressed its continued commitment to the main thrust of its adjustment effort: a market-driven exchange rate, trade liberalization and restructuring of the country's economic institutions designed to encourage investment and development of the private sector. Despite falling inflation, pressure on incomes and living standards will continue as employment opportunities only gradually expand faster than job losses from continued rationalization.

As the government attempts to combine a difficult process of economic adjustment with a delicate process of return to civilian rule, the "people factor" will be crucial. Critics of the political programme argue that the transition cannot be achieved by 1992. Last year, 13 political organizations vied for recognition under the terms of the programme, but the government said that none had met the qualifying criteria. Instead, the government announced the formation of two state-funded parties — the National Republican Convention and the Social Democratic Party — whose manifestoes are being written by government officials.

There is concern in some quarters that the competing parties will seek political advantage by promising to jettison some of the more unpopular economic reforms. But the government has said the political programme will stay on schedule, a position unchanged by the attempted coup, and has repeatedly insisted that there is no alternative to the adjustment programme.

The clear evidence of the social costs of adjustment, at least in the towns, and the widespread hostility to further austerity measures have helped to ensure that improvement in the social sector is a stated priority in the new three-year plan. Crucial negotiations are underway for wage rises that would go some way towards halting the fall in urban real incomes. The 1990 budget also contained measures to improve food security and increase access to credit.

However, the primacy given to bringing down inflation and promoting investment limits the government's ability to vastly increase social sector spending. In his budget speech President Babangida warned Nigerians not to expect miracles. Nevertheless, the adjustment programme will only be sustainable if some of its achievements are quickly translated into improvements in living standards for the mass of people. ■

World Bank

Cocoa accounts for 80% of Nigeria's non-oil exports. But falling world prices have cut earnings.

Renewed appeals for famine relief

With millions of Africans threatened by famine, the United Nations has renewed emergency food aid appeals for several countries, the latest being Angola. Donor response, however, continues to be slow, as aid pledges fall short of total needs, and actual deliveries fall even shorter.

Pledges totalling $106.4 mn were made by 13 donors at the 26 April appeal for Mozambique (the fourth since 1978) convened at UN headquarters by Secretary-General Javier Pérez de Cuéllar and attended by Prime Minister Mario de Graca Machungo. The World Food Programme (WFP) later expressed concern over the "increasingly poor donor response." It said some of the April pledges included donations already recorded for last year's appeal. Together with old stocks, current pledges were falling far short of Mozambique's emergency requirements, it added. The appeal had estimated $136 mn as the "absolute minimum" needed for 1.5 million Mozambicans in 1990-91. This was only 72 per cent of the affected population, security and transport problems preventing access to the remainder. By late May, the WFP had confirmed a rising trend in numbers of displaced Mozambicans, and was revising its estimates of required food aid.

While the appeal requested $34 mn for logistics, donors earmarked only $4.5 mn for this despite the appeal document's observation that the impact of other contributions would be weakened if they could not reach intended beneficiaries. Aid for rehabilitation was excluded from the appeal after Mozambique and donor governments agreed on its integration in an overall economic reform programme.

In Sudan, the second phase of Operation Lifeline Sudan (OLS) could not start last November because of the political and military situation. Lengthy negotiations secured renewed commitment to the relief operation by the end of March from both the Khartoum government and the Sudanese People's Liberation Army (SPLA). OLS resumed on 9 April with airlifts but land and river transport continued to be slow.

The WFP had appealed unsuccessfully at a 26 March donors' conference in Khartoum for the $11 mn it needed to move emergency supplies into critical areas of southern Sudan after May. Total food requirements for 1990 of over 104,000 tonnes could be met from existing stocks, local purchases and swap arrangements. But the major relief agencies are short of money to buy and distribute the food. A spokesman said the situation was "critical" as rains began in April, heralding a period until September of severely curtailed access to critical areas.

UNICEF/Jeremy Hartley

The rail corridor during Operation Lifeline Sudan in 1989.

Ethiopia, declared the UN Secretary-General in late April, would need some 45,000 tonnes delivered and distributed each month to avoid starvation among over 2.3 million people at risk in northern Ethiopia. War in Eritrea and Tigre has seriously impeded delivery of food, particularly after the Eritrean People's Liberation Front captured Massawa port in mid-February, leading to the closure of the major route for relief supplies. In late April, 17 major donor countries appealed to the Ethiopian government and opposition to establish a ceasefire and allow the distribution of relief supplies. With food stocks very low in early May, relief agencies in northern Ethiopia were anxiously awaiting implementation of a UN proposal to airlift up to 9,000 tonnes of food and medical supplies from Assab and Djibouti. The UN Secretary-General had urged donors in late April to finance the $6.5 mn, two-month operation and some funding was "imminent" in late May, the WFP said. The Joint Relief Partnership of Ethiopian Churches had managed to transport several thousand tonnes of food into northern Wollo in March, reaching Mekele, provincial capital of Tigre, later in April. Before that, the only food reaching Tigre and Eritrea was delivered from Sudan by agencies working with the relief organizations of the Tigrean and Eritrean opposition movements.

The UN has also appealed for a minimum 45,000 tonnes of food aid to cover the immediate needs of 800,000 people in Angola for a four-month period. Seven provinces have been devastated by drought (some for four successive years) and continuous banditry, but the appeal is for the four central and southern provinces worst-hit by famine — Benguela, Huila, Namibe and Cunene. The UN Food and Agriculture Organization (FAO) says harvests are again down with seed stocks also being consumed. The Angolan government estimates that up to 150,000 tonnes of additional food aid may be needed. The FAO estimated in March that Angola needed 282,000 tonnes, with pledges standing at 155,000 tonnes and deliveries of 30,000 tonnes.

The FAO noted that while sub-Saharan Africa needs some 4.2 mn tonnes of food aid for 1989-1990, donors had pledged 3.2 mn tonnes, and only delivered 1.4 mn tonnes by May. It said the food needs of 28 sub-Saharan African countries could be met through local purchases, triangular deals and exchanges (for example, of maize for rice) if donors provided new funding. According to the FAO, there are nearly 2 mn tonnes of local and exportable food surpluses in sub-Saharan African countries. There are also notable food emergencies involving war and drought refugees in Somalia and Djibouti, drought victims in Namibia, as well as victims of the escalating fighting in Liberia. ■

UN Africa Recovery/Charlotte O'Neil

Tanzania's President Ali Hassan Mwinyi opens a marketplace exhibition at the conference, with ECA Executive Secretary Adebayo Adedeji (left), Minister of State Kighoma Malima (right) and exhibition curator Elimo Njau (far right).

CHARTER

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party system in his own country.

Growing internal and external pressures for political pluralism have intensified on the continent over the last few months, fuelled not only by the events in Eastern Europe but also by the dramatic steps being taken even by the apartheid South African regime. Demonstrations and strikes have swept at least a score of African countries, including Côte d'Ivoire and Gabon which were previously considered highly stable. In other countries, such as Kenya and Zambia, there have been public challenges to the concept of single party rule. Many countries, such as Benin, Madagascar, Niger and Zaire have announced plans to either allow the formation of opposition groups or to include them in government. Zambia's President Kenneth Kaunda has promised a referendum on the issue of single party rule, while Mozambique's President Joaquim Chissano, has promised a full debate on the issue in current discussions on a new constitution.

In addition to these internal pressures, an equally assertive role is likely to be played by the powerful multilateral financial institutions, and bilateral donors. World Bank President Barber Conable, speaking at a meeting of the Bretton Woods Committee in Washington in late April, said that all too often in Africa, "open political participation has been restricted... I fear that many of Africa's leaders have been more concerned about retaining power than about the long-term development interests of their people." He listed "better governance" as the first requirement in initiating African economic recovery, and hinted that donors would increasingly link assistance to this question.

Speaking at the same Washington conference, US Assistant Secretary of State for African Affairs, Herman Cohen, was even more blunt when he said that governments not responding to democratic change would be at a disadvantage in obtaining external assistance. He added that it was likely that democratization would become the third conditionality for US assistance after World Bank/IMF approval of economic policies and US assessment of a country's human rights record.

The US Ambassador to Kenya, Mr. Smith Hempstone, gave further details of this emerging US concern in a Nairobi speech in May. Speaking on his return from a Chiefs of African Missions meeting in Washington, Mr. Hempstone said: "there is a strong political tide flowing in our Congress, which controls the purse strings, to concentrate our economic assistance on those of the world's nations that nourish democratic institutions, defend human rights and practice multi-party politics... This may also become a fact of political life in other donor countries tomorrow."

His last assertion was underscored at the spring meetings of the IMF and World Bank in Washington in early May, where UK Chancellor of the Exchequer John Major warned that in a situation where aid resources were limited, donors would place strict conditions on spending, including moves towards better government. Governments must become more accountable to their peoples before rich nations could justify further aid, he said.

Some Africans have expressed sceptism over donor calls for greater democracy in Africa, feeling that they are laying the groundwork for shifting some of their external assistance to countries where there are greater political and economic returns, such as Eastern Europe (see box).

The Arusha call for democratization

COMMENTARY

Eastern Europe, Africa's needs and the United Nations

By Salim Lone in Lome

Everywhere one travels on the continent there is a deep concern that the demand for assistance and investment from a speedily democratizing Eastern Europe will siphon off funds that could otherwise have been used for Africa. In addition, there is also anxiety among many African governments that the repudiation of single-party rule in Eastern Europe will mean increased pressure for multi-party democracy in their own countries.

The latter issue will be resolved primarily through internal struggles, not through African and international debates and agreements. But the possible reduction of external resources deemed essential to African economic recovery is being discussed officially at multilateral and bilateral meetings.

One view at these discussions is that greater democratization within Africa itself is one obvious way to command greater international assistance and investment, as Eastern Europe is apparently managing to do.

Unfortunately, there is little merit to this argument, since democratization is not the principal reason the donor countries are rushing to assist Eastern Europe. What is galvanizing Western resources is the pro-market revolution, and the billions of dollars being mobilized for Eastern Europe now are expected to yield enormous political and economic returns. In addition, these new resources will be a major element in sustaining the economic reforms, through easing some of the hardships that will result from the rapid dismantling of socialist economies.

Africa's own liberalizing reforms from the mid-1980s also needed substantial increases in external assistance if they were to succeed, as was agreed at the adoption of the UN Africa Recovery Programme in 1986. However, Africa never had for donors the strategic and political significance of Eastern Europe, nor the expected economic returns.

None of this is to say that democratization is not vital for Africa as a fundamental people's right and for the continent's economic and social revival. However, its advent is not going to suddenly generate capital inflows: the compelling economic and political rationales just do not exist. And Africa knows that.

Direct foreign investment was never a major source of capital for Africa as a whole, but it was vital for a few countries, such as Nigeria, Côte d'Ivoire, Morocco, Egypt and Kenya. But even for these countries, and for others such as Ghana, with dramatic liberalizing reforms, strong economic growth and radically changed investment codes for attracting foreign capital, investment had already trickled to a virtual halt. With the opportunites that Eastern Europe offers, Africa's prospects for capital inflows are even dimmer now.

Here in Togo, despite 11 years of structural adjustment — the longest programme in Africa and one of the most highly disciplined — and an extensive privatization programme as well, the volume of foreign investment has fallen far short of the economy's needs. The government is now embarking on an ambitious and potentially controversial Export Processing Zone in a final bid to attract investors. In Dar es Salaam, in mid-May, senior government ministers and World Bank officials, in interviews, talked about the state-of-the-art national investment code the government has adopted to lure foreign capital. But they acknowledged at the same time that there were dim prospects for this because Tanzania — and other African countries — just does not have the right kind of economic base.

So democratization is not suddenly going to change the investment climate in Africa. Neither is it going to trigger the other mechanism for resource flows: development assistance. It is not surprising, therefore, that many in Africa are sceptical about the intentions behind the new conditionality of democratization being mentioned by donors. They are convinced, in fact, that donors are talking about democratization in order to justify the impending decline in Africa's share of

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UN Africa Recovery/Charlotte O'Neil

NGO representatives Chief Bisi Ogunleye of Nigeria and Carolyn Long of the US.

came primarily as a result of the tighter and more inflexible rule that many African countries have experienced in the 1980s. Many governments have seen increasing discontent from people bridling at the sacrifices demanded year after year, for little reward, by intensifying austerity measures which they have had little say in determining. The increasing marginalization of Africa in international discourse, ECA Executive Secretary Adebayo Adedeji told the Popular Participation Conference, was in considerable part a reflection of the marginalization imposed upon the people themselves by their governments in many countries. Referring to the political changes in other parts of the world, he asked if Africa "will stand by and allow this world of change to pass us by? As the birth of democracy is taking place in other regions and at a time when the last vestiges of colonialism have disappeared from Africa, are we going to allow the continent to be further marginalized; to be out of the mainstream?"

At the conference, held in a city which, for many, has been the symbol of Africa's desire for equitable development and strong regional co-operation, participants recog-

nized that profound difficulties lay in the way of implementing the political changes being proposed. In his closing statement, Mr. Adedeji acknowledged that the democratic goals being enunciated in the Charter "will not emerge until governments have individually and collectively yielded space to the people." At the same time, he said he recognized that the time had come when the "people must put themselves first by occupying the driving seat of the vehicle for engineering social, political and economic transformation in Africa."

To facilitate the realization of this goal the Charter calls upon the international community, including the UN, to examine its own record on promoting popular participation and "support indigenous efforts which promote the emergence of a democratic environment and facilitate the people's effective participation and improvement in the political life of their countries."

The Charter also urges the UN system to intensify its efforts to promote the application of justice in international economic relations. In that regard, the IMF, the World Bank and other donors are asked to accept and support African initiatives to formulate, and implement endogenously designed development and transformation programmes.

A significant portion of the Charter is devoted to analyzing the pivotal contribution made to development by women, and it urges that the attainment of equal rights by women in social, economic and political spheres must be a central feature of any democratic and participatory pattern of development. Youth and students are also singled out for special mention, with the Charter calling for a halt to bans on youth and student organizations, to police brutality against unarmed protesting students and to arbitrary closure of educational institutions. A section on trade unions defends their right to strike.

The conference was officially opened by Tanzanian President AliHassan Mwinyi, who said there was a consensus within Africa that the success of the recovery and development process very much depended on the effective participation of its people. "So the main task confronting many African national authorities is to create favourable conditions which would enable the people to fully apply their energy, skills and creativity," he said.

President Mwinyi also asked multilateral financial institutions, such as the IMF, to reassess some of the "harsh conditionalities" of structural adjustment programmes (SAPs) whose results "do not match the expectations of the people." A particularly counter-productive conditionality, he said, was the persistent demand for continuing devaluations of the national currency "which has greatly impinged on the real incomes of peasants and workers." Tanzania has seen its average wage index fall from 100 in 1977 to only 14 by 1988, as its exchange rate depreciated from 8.27 shillings to the dollar in 1979 to the current 192 shillings.

UN Secretary-General Javier Pérez de Cuéllar, in a message read out on his behalf by Under-Secretary-General Abdulrahim Farah, also pointed to the inescapable link between recovery and popular participation. He affirmed that development could only be sustained if its priorities were defined by the people and involved risks and sacrifices they could accept. The Secretary-General hoped the conference would inspire Africa's people and their organizations to become more effective agents of their own development.

Mr. Mazide N'Diaye, President of the Africa-wide NGO umbrella network, Forum for African Voluntary Development

Miria Matembe (right) of Uganda's National Resistance Council, Hassan Sunmonu (centre) African trade union unity leader, and Aissata Kane of Mauritania.

UN Africa Recovery/Charlotte O'Neil

UN Africa Recovery/Charlotte O'Neil

Mazide N'Diaye, President of the African NGOs umbrella organization FAVDO, addresses the conference.

Organizations (FAVDO), and Mr. Hassan Sunmonu, Secretary-General of the Organization of African Trade Union Unity, also addressed the conference. Mr. N'Diaye repeated the NGO argument at the 1986 UN General Assembly Special Session on the African crisis that there was no space in most African countries for people's initiatives. Now, he said, given the inability of most African governments to meet people's basic needs, it was all the more important for governments to let people organize themselves to fill that gap.

Mr. Sunmonu also critised SAPs, and said not a single successful SAP story could be cited in Africa. He said trade unions had been playing a brave role, at considerable peril, in alerting governments about the impact of SAPs on the majority of the people, but governments frequently responded by arrests and repression.

The conference concluded with unequivocal support for the Charter from the Tanzanian government. Professor Kighoma Malima, Minister of State and Vice-Chairman of the National Planning Commission, said that the government not only endorsed the Charter, it would also press for its implementation. He added: "It will be an invaluable document for our government's efforts to foster greater popular participation in every aspect of our country's life." ■

EASTERN EUROPE

from page 15

global assistance as resource flows to Eastern Europe begin to mount. Indeed, the donors who have mentioned this new conditionality have not suggested that democratization will lead to greater resource flows to Africa, only that non-democratizing countries will see their assistance reduced.

The sad fact is that the broad public support that existed internationally for a continent in distress has been largely dissipated by the persistent crisis and the repeated appeals for external assistance. Donor interest, motivated by geopolitical concerns, is also rapidly disappearing in the wake of East-West amity. In addition, the international media's propensity to focus on disasters and African mismanagement – without equivalent coverage of its severely disadvantaged position in the global economy and of the bold reforms that have demanded years of painful sacrifices with limited results at best — has meant that most people think that assistance to Africa is wasted.

Widespread donor pre-occupation with Eastern Europe means that the United Nations alone can mount an effort to stem the developing international disengagement from Africa.

The overall result of all these trends is a continuing marginalization of the continent in donor public consciousness as well as in policy terms. Nothing highlighted this more than a 9 April editorial in the *New York Times* on US assistance to developing countries. The paper argued that while Eastern European assistance needs must be met, aid policy-makers should not lose sight of the concerns of Asian and Latin American nations. There was not even a perfunctory mention of Africa, the world's poorest continent by far.

Naturally, there is bitterness in Africa over such attitudes, as there is about the speed and volume of assistance being organized for Eastern Europe when compared to the slow pace of desperately needed debt relief and resource inflows for an imperiled continent. Zimbabwe's Finance Minister Bernard Chidzero warned at the IMF/World Bank spring meetings in Washington that channeling funds in to Eastern Europe, beyond its "legitimate" needs, would be "very explosive" and would "scur the North-South relationship."

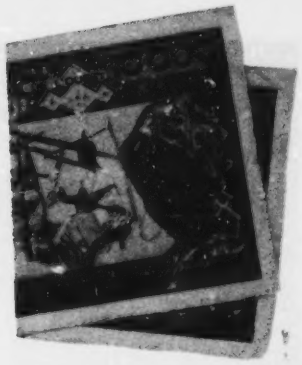
At a time when world events have reinforced the donors' conviction in their own orthodoxies, very special efforts will have to be made to ensure that a continent which had already falling further behind the rest of the world does not disappear altogether as an international concern. It is difficult to avoid the conclusion that many in the industrialized countries no longer see the problematic economies of Africa as being relevant to their own economic growth.

The United Nations will need to play the pivotal role in this regard. It organized the largest and most successful ever emergency relief operation in 1984-85 when it saved at least 3 million African lives during the devastating famine. And it subsequently worked with Africa to devise in 1986 the first ever United Nations Recovery Programme devoted exclusively to one world region, a programme which has been instrumental in promoting economic reforms in, and international concern for, Africa.

The crisis in Africa is greater now than it was in 1986, but the UN Programme aside, the continent is no longer an important policy concern for most donors. This poses once again a new African challenge for the UN system, including the World Bank and IMF, because it alone can now mount an effort to stem the developing disengagement from Africa, while defending pluralistic approaches to development. The UN can do this through increasing its own assistance for Africa; and through the forums and moral authority available to it to argue for the primacy of African needs. It can only do this if its own commitment to Africa remains unequivocal and transparent, since many in Africa fear that it too will be swept up by the legitimate excitement engendered by the changes in Eastern Europe.

Africa knows better than ever now that its actions alone will determine if it can meet the basic needs of its people. By the same token, even the most divergent analyses of the continent's crisis recognize that in the current structure of the global economy, Africa could never do it without international support. ■

Franc zone turmoil



By Nii K. Bentsi-Enchill

There is turmoil among the francophone countries of sub-Saharan Africa after decades of relative economic stability. Most have been hit by falling export revenue and mounting debt. The impact of the economic crisis on public sector employees and on the social sector has fuelled protests linking economic and political demands in a broad agenda for change. Governments in Niger, Benin, Gabon, Côte d'Ivoire and Senegal have all been buffeted by public discontent over falling living standards and rising unemployment.

In this atmosphere of crisis and change, there is growing speculation over the fate of the unique financial bond between France and the 14 African members of the franc zone. This monetary union, whose convertible CFA franc is guaranteed by France, has not insulated its members from the full impact of Africa's economic crisis. The benefits of low inflation have been undermined by wage freezes and mounting public sector lay-offs. Shrinking government revenue has outpaced French financial support and aggravated budget deficits. With no recourse to printing more money, many franc zone governments have accumulated domestic payment arrears. The prized convertibility of the currency has in turn proven to have little advantage during such liquidity shortages, and the considerable disadvantage of facilitating capital flight. As the crisis of confidence in the CFA franc mounts, even its automatic convertibility has become increasingly difficult in practice.

Some analysts have argued that the CFA franc was overvalued for much of the 1980s. Pegged at 50 to one French franc since 1948, it has followed the strengthening of the French franc against the US dollar (particularly since 1985) while the world market prices of major franc zone exports have fallen. Production costs in the zone have also risen in relation to such important neighbouring economies as Ghana and Nigeria.

Official support has, of course, appeared strong in both France and francophone Africa for the current exchange value of the CFA franc. At the September 1989 franc zone ministers' meeting, France's co-operation minister Jacques Pelletier warned that devaluation was "unthinkable" and that the fixed parity of the CFA franc was "a foundation of the credibility of the franc zone." With many members implementing structural adjustment programmes, this adherence to a 42-year old valuation has put the emphasis on other fiscal, monetary and budgetary measures.*

Michel Camdessus, managing director of the International Monetary Fund (IMF), declared in Abidjan on 30 December that economic competitiveness was more important than the exchange rate. Whether a currency's exchange rate was fixed or flexible, he argued, the crucial point was the level of prices and costs relative to the international market. Camdessus stressed that franc zone economies had to increase productivity and reduce production costs in relation to competitors.

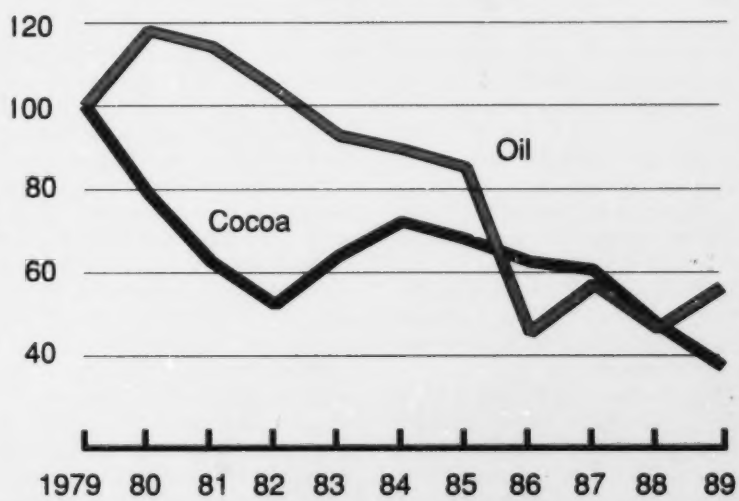
Alassane Ouattara, governor of one of the franc zone's two regional central banks, the Banque centrale des Etats de l'Afrique de l'Ouest (BCEAO) and a former director of the IMF's Africa Department, has also stressed the need for reform of domestic price structures. He added that for heavily indebted, middle-income countries like Côte d'Ivoire, Gabon and Congo, devaluation would increase the local cost of external debt-servicing. It was also not a useful tool for them, he argued, because of their inability to influence export prices.

In contrast, the World Bank maintained in its study of *Trends in Developing Economies, 1989* that the CFA franc's over-valuation was a basic obstacle to adjustment and economic diversification. For example, efforts to stimulate non-oil sectors in Congo would be difficult, it argued, "in view of the fixed parity between the CFA franc and the French franc". Congo's non-oil sectors were in their fourth successive year of negative growth.

France cushions some of the franc zone's liabilities by such methods as permitting members to borrow from an "operations account" in the French treasury — the total franc zone deficit there in 1988 was some $2.3 bn (see page 22) — besides providing additional balance of payments and budget support. However, other aspects of the much vaunted special relationship have weakened. While France continues to be the primary bilateral aid donor for franc zone countries, trade and investment have shrunk in the 1980s. Francophone Africa's share of French imports of cocoa, coffee and timber has fallen during the 1980s. In 1988 less than 20 per cent of Ivorian exports went to France, while the European Community has become an important market for most franc zone countries.

World Cocoa and Oil Prices

(Index: 1979=100)



Source: UN Africa Recovery from IMF and *Africa Economic Digest* data

**For discussion of devaluation and other reforms, see* The Franc Zone:A Monetary Union in Crisis *(Overseas Development Institute Briefing Paper; London ; June 1990).*

Capital flows have in turn become negative in recent years. French private investment in sub-Saharan Africa had averaged $1 bn in 1981-83, before plunging to some $53 mn in 1985. The downtrend then accelerated to a net outflow of $438 mn in 1987, nearly doubling in 1988 to $824 mn, according to the French Employer's Council (CNPF) in a February 1990 report. Official sources estimate that French private investment in sub-Saharan Africa fell by 20-25 per cent in 1985-88, although its presence remains strong in the oil sector. These general figures are pointers to the rate of disinvestment from the franc zone where, understandably, conditions had particularly favoured French investors.

Responding to the downtrend, France set up an investment guarantee facility in late 1989, initially worth $44 mn, in its principal bilateral aid fund (Caisse centrale de coopération économique). This could be too little, too late. The CNPF's February report included a survey which showed that 32 per cent of French investors envisaged scaling down their African operations in the 1990-92 period, 48 per cent did not plan any new investment. In all, 77 per cent wanted to quit Africa altogether.

Capital flight from the BEAC zone was around $380 mn in 1988, according to the Paris-based Franc Zone Secretariat, while Mr. Ouattara estimated that outflows from the BCEAO zone reached up to $500 mn a year in the late 1980s. The main destinations of these flows were Switzerland, France and the UK.

Olivier Vallée observes in *Le prix de l'argent CFA: Heurs et malheurs de la zone franc* (Editions Karthala; Paris, 1989) that the franc zone was created to finance the flow of primary commodity imports from France's colonial territories. Although annual per capita incomes vary widely within the franc zone, from oil-rich Gabon's high of $2,700 to the Sahelian low in Chad of $150, every member has a high economic dependence on one or two primary commodity exports. With most state commodity marketing boards running at a loss, there has been an unprecedented build-up of deficits in the zone's operational account with the French treasury. In 1987, for the first time, both zones were in overall deficit, to the tune of $2.6 bn. While the central zone returned to a small surplus in 1988, Côte d'Ivoire's increasing financial problems meant that the franc zone still had a total net deficit of $2.3 bn with the French treasury (see page 22).

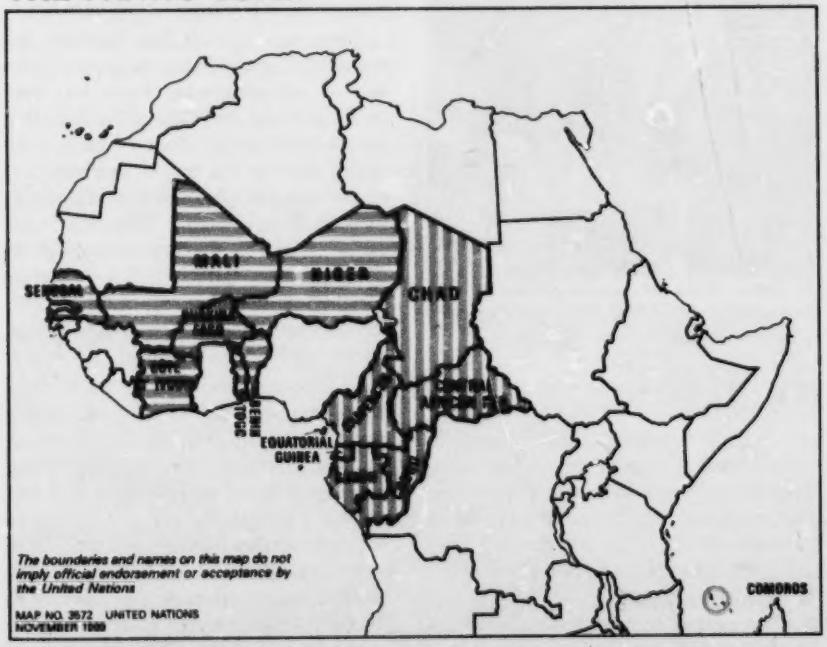
Prevented by franc zone regulations from printing money at will, member states have avoided the inflation prevalent in most of Africa. Consumer prices in five BCEAO states rose by an average 8 per cent a year in 1980-85, and by an average 11 per cent in the three largest BEAC states. In Nigeria the figure in the same period approached 20 per cent, in Zaire just under 50 per cent, and was higher still in Ghana and Sierra Leone. French officials have recently claimed that franc zone inflation averaged 3 per cent in 1989 compared with 30 per cent in the rest of Africa.

Such success, however, has only been won by the ever harsher deflationary policies of IMF and World Bank-supported adjustment programmes (only Burkina, Faso, Congo and the Comoros do not have a borrowing arrangement with the IMF). Without devaluation, adjustment has focused on improving the balance of payments by cutbacks in public spending, tougher credit policies, a squeeze on imports, and moves towards privatization. The aim of generating surpluses for savings and investment, and also changing the pattern of incentives has put an even greater responsibility on the financial sector to act as an efficient pivot of diversified economic activity.

However, reform of this sector is a major task. Many franc zone governments, faced with dwindling revenues, compelled local commercial banks to provide and roll-over credits to loss-making public enterprises in place of government subsidies. Many banks have also been hit by the growing deficits of state marketing boards, often the prime liquidity pump in franc zone economies. Governments have also accumulated large arrears on payments to suppliers, indirectly

turn to page 22

THE FRANC ZONE



The BCEAO Zone (Banque centrale des Etats de l'Afrique de l'Ouest)

The BEAC Zone (Banque des Etats de l'Afrique centrale)

The Comoros is also a member of the franc zone but uses the Comoro franc (whose parity to the French franc is also 50:1) which is issued by the Comoros Central Bank

How the Franc Zone works

The two regional central banks, Banque centrale des Etats de l'Afrique de l'Ouest (BCEAO), and Banque des Etats de l'Afrique centrale (BEAC) issue CFA francs for each member country, and the currency circulates freely among them.

France requires that the regional central banks deposit 65 per cent of their net external reserves in an operations account at the French Treasury. Banking regulations are harmonized throughout a zone. The central banks have unlimited credit with the operations account, but their net external assets should cover at least 20 per cent of their liabilities.

Monetary and credit policy is uniform throughout the zones. The central banks meet annually with national committees to allocate credit to countries and domestic banks. Credit to government is limited to 20 per cent of the previous year's fiscal receipts. The central bank limits its refinancing of commercial banks to 35 per cent and also sets ceilings for short- and medium-term commercial bank credit.

FRANC ZONE

Côte d'Ivoire in crisis

Côte d'Ivoire's economy, in decline for nearly a decade and in full recession since 1986, has plunged into deeper trouble. A four-year recovery programme agreed with the International Monetary Fund (IMF) and the World Bank in mid-1989 has been suspended, along with government proposals to ease an escalating payments crisis by raising taxes on salaries. This plan was greeted by unprecedented strikes and demonstrations in March and April, which spread into police and military ranks in May. With social and political tensions now at the forefront, the legalization of opposition parties was only a partial answer to the current problems.

Since world prices for its two major exports, cocoa and coffee, began to fall in 1986, Côte d'Ivoire's gross domestic product has been on a downward spiral. The government has failed to implement sectoral and structural reforms agreed with the Fund and Bank, while public spending has continued to be far in excess of revenue.

The government has been holding discussions with the Fund and Bank to put the recovery programme back on track. It involves over $1.2 bn in multilateral and bilateral financing, along with the rescheduling of some $1 bn in official debt.

In a move welcomed by creditors, President Félix Houphouët-Boigny has appointed Alassane Ouattara, governor of the francophone West African central bank, BCEAO, to lead an inter-ministerial committee in urgently preparing a coherent reform programme. Côte d'Ivoire needs decisive reforms, particularly in the crucial financial sector, in order to halt an accelerating decline affecting all sectors of its economy.

By Gerald Bourke in Abidjan

The payments crisis afflicting Côte d'Ivoire has exposed the shortcomings of its financial sector and prompted new policies which aim to change lending patterns and improve the efficiency, liquidity and stability of the sector.

The traditional priority of commercial banks in Côte d'Ivoire has been to finance the principal economic activity: marketing cash crops such as cocoa and coffee. The system worked well when commodity prices were booming. The regional central bank, Banque centrale des Etats de l'Afrique de l'Ouest (BCEAO), advanced funds to the commercial banks which then lent to the buyers and exporters of the cash crops. The Ivorian state marketing board, Caisse de stabilisation et de soutien des prix des produits agricoles (Caistab) bought the crops from the exporters and then sold abroad for substantial profits. The exporters would repay the banks, which in turn repaid the BCEAO. Prior to 1986, a highly solvent Caistab was boosting government revenue while helping to maintain liquidity in the commercial banking system.

However, coffee and cocoa export prices began falling steeply in 1986, the cumulative decline reaching 55 per cent and 48 per cent respectively by late 1989. During this period, the government insisted on maintaining domestic producer prices at CFA 400 francs a kilo. While the total cost of putting a kilo of Ivorian cocoa on the international market stayed around CFA 700 francs, that market was steadily paying Côte d'Ivoire less — from CFA 727 francs a kilo in 1986 to around CFA 370 francs in 1989. Caistab's problems were compounded by the government's expensive and unsuccessful attempt in 1988 to hold up international prices by withdrawing over 200,000 tonnes of cocoa, instead of selling it at the depressed price.

Ben Alleh/Fraternité Matin

President Félix Houphouët-Boigny in late February announcing his government's proposals to ease its financial crisis.

Cocoa export earnings fell by 60 per cent in 1988, and Caistab had become a major drain on liquidity in the financial system. Commercial banks were unable to lend to cocoa buyers, who already owed them roughly $500 mn. The buyers, to whom Caistab owed nearly the same amount, in turn gave promissory notes instead of money to the farmers for much of the 1988-89 crop.

As the liquidity crisis developed throughtout the economy, the commercial banks borrowed more from the BCEAO, and even more from their parent European (mainly French) banks. According to the 1988 *Franc Zone Report*, this was mostly to repay the BCEAO. One major bank, the Société générale de banque en Côte d'Ivoire, raised its borrowing from BCEAO by 28 per cent in 1987-88, and by 67 per cent from its European parent banks. Most commercial banks by mid-1989 had breached their credit ceilings with their Parisian principals. The deepening crisis exposed problems that had been ignored during the boom of the late 1970s. Ivorian banks were now seen to be borrowing excessively in relation to their capital and assets base. Political intervention in credit allocation encouraged inefficient management and disabled internal controls. This led to unproductive lending, and an increasing volume of bad debt. The president of the Ivorian employers' federation, Joseph Aka Anghui, estimated in late 1989 that bad loans accounted for some 25-30 per cent of the $4.4 bn (CFA 1,400 bn) outstanding to Ivorian commercial banks.

The crisis of dwindling liquidity between 1987 and 1989 and the growing burden of non-performing loans was particularly acute for Côte d'Ivoire's five development banks. Four of them were closed down in that period, overburdened by unrecoverable loans to powerful clients (including loss-making parastatal companies). The fifth, the Banque nationale de développement agricole (BNDA), had its operations temporarily suspended in 1987, and staggers on today, with most of its loan portfolio deemed unrecoverable.

In response to the financial sector crisis, the government in mid-1989 launched a World Bank and IMF-assisted 18-month reform programme, aimed at strengthening commercial banks, mobilizing savings and increasing net external assets. Measures to improve liquidity included a drastic cut in cocoa and coffee producer prices. For the 1989-90 crop marketing year starting in October, the government halved the cocoa price from CFA 400 to CFA 200 francs per kilogram, and cut the coffee price from CFA 150 to CFA 100 francs a kilo. Provided that

world prices do not fall further, and assuming some cost-cutting down the commodity marketing chain, the government expects Caistab to return a small profit in 1990 after four successive years of deficit.

Another major element of the programme is the change in interest rate policy — which also applies to the other countries of the BCEAO zone (see main section). After three interest rate increases in 1989, the BCEAO on 2 October scrapped the preferential rediscount rate of 9 per cent which it had charged commercial banks on loans destined to finance commodity export and storage. In place of this, and a normal discount rate of 10 per cent for other credits, the BCEAO implemented a single rediscount rate of 10.5 per cent. This effectively withdrew its guarantee of automatic refinancing for cash crop marketing. Commercial banks had previously been able to charge up to 2 percentage points more than the BCEAO preferential rate. They can now charge up to 5 points above the BCEAO's new single rate.

Commercial banks will now have to compete more for funds as their access to BCEAO refinancing has been reduced. Apart from the money markets, they should also be able to attract more deposits through higher interest rates for savings. The deposits held by all Ivorian commercial banks are estimated at around $2.2 bn (or CFA 700 bn), which is only about half of the total credit they have extended.

Bank savings currently account for less than half of total savings, and support a smaller proportion of lending than in many developing countries. And while Côte d'Ivoire accounted in 1988 for more than half of all credit in the Union monétaire ouest-africaine, it had the smallest proportionate share of medium and long-term credit (24 per cent) in the zone. Banks had little incentive to make longer-term loans to potentially more productive sectors, such as manufacturing, which were considered riskier until the recent phase of declining export commodity prices. The World Bank argues that the relatively automatic refinancing by the BCEAO did not encourage the ailing commercial banks either to mobilize savings, or broaden their scope of lending. The small proportion of loans to industry usually went to large, well-established, and mostly foreign-owned concerns.

Decline of Ivorian industry

There has been a marked contraction in the Ivorian industrial sector, where annual growth rates averaged 11.7 per cent in 1973-80, but became negative over the 1980-87 period, averaging -2.4 per cent. The share of industry in total credit declined from 22.8 per cent in 1984 to 14.9 per cent in 1988. Illustrating the lending preferences of commercial bankers, the share of total credit for trading and distribution grew from 15.8 per cent in 1984 to 27.5 per cent in 1988.

According to an IMF official, Côte d'Ivoire faces the problem of "recreating a stock of credit." The World Bank also argued in a 1989 study of the Ivorian financial sector that the main problem facing borrowers was the availability of credit. It said they were "willing and able to pay higher rates," and that a rise in lending rates would increase the availability of credit by providing banks with a greater incentive to mobilize deposits and make loans to productive enterprises."

Expansion of credit in the 1980s was largely absorbed by the mounting public and export sector deficits, rather than benefiting other sectors of the economy. For example, an unofficial academic study in 1989 estimated that 80 per cent of small businesses were launched without bank loans. In view of the high proportion of bad debts, banks now demand collateral equivalent to the loan requested. Few local entrepreneurs have such liquidity.

With economic performance on a downward trend, low credit ceilings and liquidity shortages may persist for some time yet. The value of Ivorian exports has fallen (in current prices) from $3 bn in 1980 to $2.4 bn in 1988, while imports fell more markedly in the same period, from $2.6 bn to $1.5 bn. GNP per capita has also declined from $1,127 in 1981 to $740 in 1988.

There is little scope for savings mobilization in view of such trends. Non-agricultural incomes fell by 3.8 per cent in 1988 and by 4.2 per cent last year, according to the economy and finance ministry's 1989 report. Worse still, incomes of cocoa and coffee farmers fell by 16.7 per cent last year. The fall may have been even greater if unofficial reports that farmers were getting only CFA 90 francs per kilo of cocoa are true.

The government's plans for financial stabilization were suspended after the strikes and demonstrations in February-April. It had aimed to raise over $400 mn by raising taxes on salaries in order to pay some of its mounting arrears to suppliers. But to ease the impact of the levy, however, it also proposed to cut the prices of utilities and several consumer goods, a measure that would have cost it around $1 bn, according to an informed source.

With much of its economic reform programme in disarray, the government appointed BCEAO governor Alassane Ouattara in mid-April to lead seven key ministers in revising the policy reforms and implementing agreed measures. An appropriate package would enable the measured disbursement of over $1 bn by multilateral and bilateral sources, easing the government's immediate payments crisis. However, the government's challenge lies in having to meet the conditionalities of the Fund and the Bank, while striving to ensure that the inevitably tough reforms are politically sustainable. ■

The Ivorian economy has been crippled by falling commodity prices.

FRANC ZONE NET EXTERNAL RESERVES

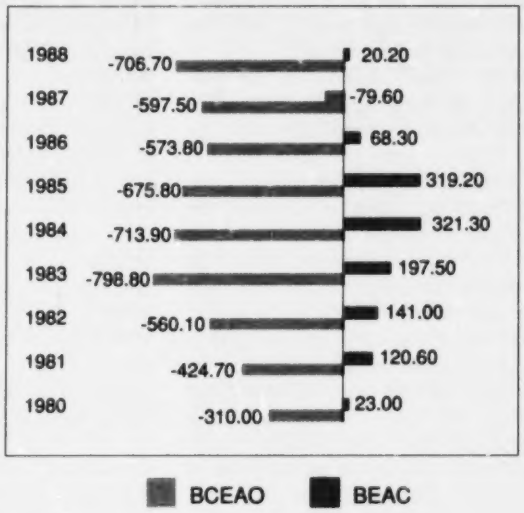
(CFA bn francs)

Year	Côte d'Ivoire	Cameroon	Total Franc Zone
1980	–243.6	–3.6	–286.8
1981	–389.7	43.8	–304.1
1982	–432.5	–9.1	–419.1
1983	–630.6	60.7	–601.3
1984	–521.5	130.1	–392.6
1985	–446.2	155.9	–356.6
1986	–432.3	–27.4	–505.5
1987	–494.6	–149.9	–677.1
1988	–585.4	–63.3	–686.5

These totals for the BCEAO and the BEAC zones combine the external assets of the individual countries deposited in the central banks, with the external assets of the banks themselves.

The BCEAO zone has been in constant deficit throughout the 1980s, unlike the BEAC whose only deficit year was 1987, with Cameroon contributing 67 per cent of the deficit side. Côte d'Ivoire and Senegal contribute most of the BCEAO deficit, respectively responsible for 61 per cent and 29 per cent of the deficit side in 1988.

Source: UN Africa Recovery from La Zone Franc, Rapports 1984, 1988.



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forcing banks to finance the budget deficit. Commercial banks had themselves disregarded banking regulations, according to the World Bank. It said bad lending policies had been compounded by the lack of internal controls, while inadequate capitalization and provision for losses on loans had led to widespread insolvency, liquidity shortages and paralysis in the financial sector.

According to the Bank's *World Development Report, 1989*, at least 20 primary banks in the Union monétaire ouest-africaine (whose central bank is the BCEAO) were bankrupt, more than a quarter of bank loans were not being repaid, and that the total of these loans was almost six times the sum of the banks' capital, reserves and provisions. The Paris-based Franc Zone Secretariat added that banks in the BEAC zone had identical problems of a sharp contraction in liquidity, a significant drop in credit availability, and constraints on economic activity.

The key features of financial sector reform in the franc zone are: restructuring of banks and liquidation where necessary; better management; higher interest rates to attract savings and investment, and stem capital flight; and reform of credit policy for more efficient allocation.

Alassane Ouattara said last September that 26 out of some 100 franc zone financial institutions had either been restructured or liquidated, in roughly equal proportion. Nine banks had already been liquidated in Benin, Côte d'Ivoire and Senegal, with more to follow. Four had been liquidated in Cameroon as part of a restructuring programme which may cost up to $1.2 bn.

Governments are to reduce their shares in commercial banks, whose capitalization will also be substantially higher than the current $2 mn. Another key reform is the new supervisory commission to audit banks in the zone every 18 months, instead of leaving the responsibility to governments. Mr. Ouattara said some banks had not been audited for 20 years. The aim for 1990 is to triple the number of inspectors from the current 10.

Discipline after credit abuse

Credit policy has also been redirected towards greater discipline and allocation to the most viable borrowers. Targets will no longer be set for sectoral credits. Public sector enterprises and state marketing boards, IMF and World Bank sources say, were getting an excessive share, starving other sectors of credit while repaying little or nothing. A Bank source said that crop financing had been a major area of credit abuse in the past 15 years, with loans recorded as being for this sector going elsewhere. In Côte d'Ivoire, where crop credits previously had no ceiling, a financing plan has now been drawn up at the start of the crop marketing campaign in the context of total credit to the economy, with the aim of adjusting credit levels to match expected export receipts, so that loans are repaid by the end of the crop year, and no arrears accumulate.

While these financial sector reforms are important, the prospects for successful adjustment of franc zone economies remain uncertain. There is no guarantee that credit can be effectively redirected by market forces, in view of past trends. In the BCEAO zone, short-term credit represented almost 70 per cent of total credit, a reflection of the weight of Ivorian lending patterns in zonal figures (59 per cent of short-term credits, and 55 per cent of all credits in the BCEAO zone). The 1988 *Franc Zone Report* observed that in both zones, the small share of medium and long-term credit was due to inadequate resources in the banking sector. Credit to industry had fallen from 37.6 per cent of total credit in 1984 to 24.7 per cent in 1988 while the share of trade and distribution rose from 34.5 per cent in 1984 to 56 per cent in 1988.

Investment trends have also been disturbing. Between 1986 and 1988, capital spending fell 48 per cent in Cameroon, while the figure for Gabon was 73 per cent. Meanwhile, Vallée observes French banks limiting their risks in franc zone countries, their commitments falling from $519 mn in 1984 to $461 mn in 1988.

Since 1980, there has been deepening crisis and continued stagnation among the varied franc zone economies. The current reforms seek to intensify the old deflationary policies in the face of a deteriorating external environment. Vallée quotes French economy minister Pierre Bérégovoy as declaring that "monetary manipulations are not solutions to structural problems". This may be as true for franc zone countries as for other African countries. Economic and political crisis within African franc zone countries, as well as France's concerns in post-1992 Europe, may compel a radical change in the nature of the franc zone. ■

International push for Africa's private sector

Efforts to help African small-scale entrepreneurs will continue, following a decision by donors to extend the mandate of the Africa Project Development Facility (APDF). Established in 1986, the APDF, which helps to find funding and technical assistance for smaller private sector projects, was due to finish its work this year. But at a 12 February meeting in Paris, the organization's sponsors — the African Development Bank, the International Finance Corporation (IFC), the UN Development Programme (UNDP) and some bilateral donors — pledged an extra $27 mn to extend its operations through to 1995.

"APDF is having a tangible impact in sub-Saharan Africa," claims Pierre-Claver Damiba, assistant administrator of UNDP's Africa bureau and chairman of APDF's advisory board. Since it began work, APDF has helped to put together over 50 projects costing nearly $100 mn. The projects — most of them under $5 mn — are expected to create 3,600 jobs and save the host countries close to $60 mn a year in foreign exchange. APDF offices in Abidjan and Nairobi have handled some 1,400 proposals for new private ventures ranging from rose growing in Côte d'Ivoire, to an iron foundry in Botswana. APDF is already helping another 150 projects in 31 countries, and plans to open offices in Cameroon, Nigeria and Zimbabwe. ■

ADB search for private investors

Patrick Ashley

The business climate in Africa has changed dramatically, declared Babacar N'Diaye, (right) President of the African Development Bank (ADB), at a major conference held in Paris on 23-24 March. He said more than 30 African countries had moved away from centralized planning, "ceding the major industries to private investors." The conference was part of an international campaign by the ADB to mobilize foreign investment and stimulate the private sector in Africa, and was followed by an investment promotion mission to the United States.

Jointly organized by the ADB and the International Herald Tribune, *the Paris conference attracted some 300 participants who heard speeches by Presidents François Mitterrand of France, Hosni Mubarak of Egypt, and others.*

In New York, the ADB President said Africa was a better bet for US private investment than Eastern Europe. He said that while Eastern Europe had great leverage on aid flows because the West wanted to consolidate the shift away from Communist rule, it would be easier to adjust to the free market mentality in Africa than in Eastern Europe.

Mr N'Diaye was leading members of the African Business Roundtable (ABRT) on an investment promotion tour of the US. The ABRT, launched earlier in March in Cairo by Mr. N'Diaye, comprises 31 leading African entrepreneurs from 15 countries. It met the US Department of Commerce and senior executives in Dallas and New York, besides Mayor David Dinkins of New York, President George Bush in Washington, D.C., and former President Jimmy Carter in Atlanta, Georgia. The ABRT was hosted in New York by the Harlem International Trade Centre Corporation.

Mixed results for Ghana's efforts

Four joint-venture agreements worth $65 mn were signed during a 26-28 February conference held in Accra to promote private investment. Three of the agreements involved fisheries and fish processing, and the other maize processing. They have broadened the scope of recent foreign direct investment (FDI) in Ghana which had focused on the gold mining sector. Net FDI reached $20 mn in 1988, halting a decline from an average of $16 mn a year in 1980-82 to $4 mn in 1987.

Ghana enacted a new Investment Code in 1985 and held a conference for investors in February 1988. Despite new investment in mining, petroleum exploration and such non-traditional exports as fresh pineapple, interest in other sectors had been "below expectations," said Dr. G.K. Erbynn, director of the Ghana Investment Centre (GIC).

This year's conference highlighted prospects in agro-processing (particularly fruits and vegetables), fisheries, and furniture, with conference organizers, the World Bank's Multilateral Investment Guarantee Agency (MIGA) and the GIC bringing together chief executive officers from 49 foreign companies (41 of them in Ghana for the first time), and 68 local firms. Also present were senior officials from UN and other multilateral organizations.Ghana has taken important steps to encourage foreign investment as part of its seven-year old adjustment programme. These include reducing the arrears on transfers of profits, royalties and dividends from $640 mn in 1982 to $30 mn by September 1989, and devaluing the cedi from 2.75 per dollar in 1983, to 320 cedis now.

New incentives

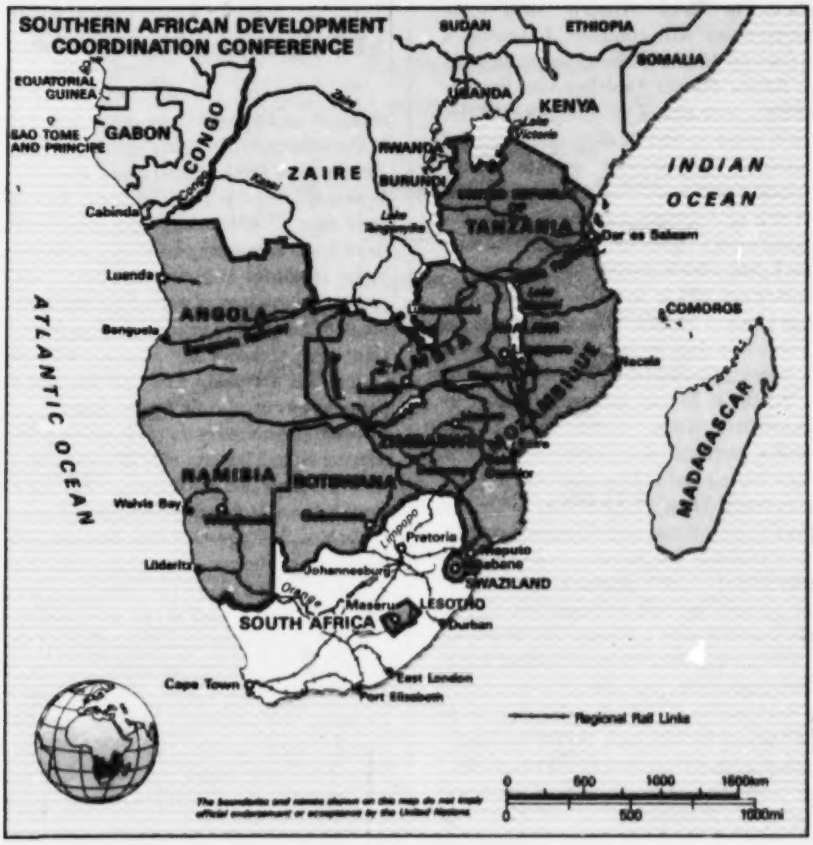
At the conference, government ministers emphasized the incentives available to investors, and such safeguards as Ghana's signature of an Investment Promotion and Protection Agreement with bilateral partners and membership of MIGA. While welcoming foreign investment, Head of State, Flight- Lieutenant J.J. Rawlings stressed the need for an equitable relationship between investors and the Ghanaian people.

The World Bank praised the government for its "skill and political courage" in reforming the economy. However, it said, investor response was still "far below" required levels. The government hopes to maintain annual GDP growth of at least 5 per cent until 1995. By then, the private sector share of total investment is expected to rise to 50 per cent from the current 34 per cent. To facilitate such growth, the Bank recommends full liberalization of trade and foreign exchange, lower taxes on investment, control of inflation, and a more efficient framework for investment.

The International Finance Corporation said investors would get a "clear message" about policy if they saw success in the privatization programme. The government put 32 state-owned enterprises (SOEs) up for partial or total sale in early 1988, liquidated others it deemed irredeemable, and invited private sector proposals for other parastatals. While over 600 proposals came from both local and foreign investors, and negotiations for the sale of government equity in several SOEs have been concluded, there is yet to be an actual sale. ■

SADCC faces up to new challenges

The Southern African Development Co-ordination Conference (SADCC) celebrated its tenth anniversary on 1 April. It has been hailed as the most successful of Africa's many attempts at regional co-operation. SADCC starts its second decade on a high note. Newly independent Namibia has become its tenth member. Hopes have been kindled for a majority-ruled South Africa; and with it an end to years of destructive destabilization in the region. New opportunities bring with them new challenges. SADCC's success has been based on a loose association, which clearly promoted the interests of all members without seriously inpinging on the freedom of national decision-making. Last year's SADCC summit began moves to create a far more ambitious regional organization. The new strategy will change the nature of SADCC, enabling it to meet the different challenges of the next 10 years but also testing the commitment of member states to the goal of greater regional integration.



By Dominic Mulaisho in Harare

SADCC was formed at a heads of state summit meeting in Zambia on 1 April 1980. In the Lusaka Declaration, the nine founder members — Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe — set themselves the task of reducing their economic dependence on the outside world, especially South Africa, and of establishing the environment for equitable regional integration. But, as the name suggests, SADCC was deliberately loosely structured, a reflection of the caution induced in a continent where bold and visionary schemes for economic co-operation had proved far from successful in the past.

The break-up, in 1977, of the East African Community, of which Tanzania had been a member, and Malawi, Zambia and Zimbabwe's 10-year experience of the Rhodesia and Nyasaland Federation, which ended in 1963, pointed to the difficulties inherent in any attempt to integrate national markets on a legally-binding basis. Increased co-operation through economic integration was also made more difficult by the continuing membership in the Southern African Customs Union (SACU) of three of SADCC's members — Botswana, Lesotho and Swaziland.

The central features of the original SADCC structure was an emphasis on concrete projects and programmes, the avoidance of any stated goal of integration of national markets through, for example, trade liberalization; the absence of any supranational institutions, other than a small secretariat to help administer the co-ordination of projects; and a decision-making process that requires full consensus at every stage between all member states. "The basis of our co-operation," Sir Seretse Khama, Botswana's first president and SADCC's first chairman, said in Lusaka, "built on concrete projects and specific programmes rather than on grandiose schemes and massive bureaucratic institutions, must be the assured mutual advantage of the participating states." The Lusaka Programme of Action assigned particular sectors for co-ordination to individual member states.

A merit claimed for the SADCC approach is that the absence of a large central bureaucracy makes it a cheap system to operate. Experience has shown, however, that at the sectoral level the frequent meetings of the many committees become an expensive and time-consuming burden on the government machinery at both the ministerial and senior official level.

The structure, however, has permitted SADCC to focus efficiently on sectoral priorities. Initially, this was almost exclusively on improving transport and telecommunications links, partly between member states, but more importantly on improving access to ports other than those in South Africa. The Maputo-based Southern African Transport and Communication Commission (SATCC) has won much donor praise for the way in which it has co-ordinated SADCC's huge and complex action programme for this sector. SATCC administers the search for funds and implementation for nearly 200 projects in all nine member states, covering railways, roads, air transport, ports and various telecommunications programmes. SATCC has secured over $2 bn of the $5 bn in funding required and 18 projects are already completed. SADCC's initial concentration on the communications sector was a neces-

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sary precursor for fostering the economic development of the region. At the same time, SADCC was co-ordinating activities in the agriculture and energy sectors. Frequent drought encouraged efforts to improve food security in the region, initially through an early-warning system, backed up by research into improved, drought-resistant grains. More recently, SADCC has drawn up plans for a $200 mn regional food reserve for which it is seeking funding. In the energy sector, initial activity centred on funding for improving power links between two or more SADCC members. Botswana and Mozambique have secured increased supplies from Zambia and Malawi respectively. Funding has also been found to upgrade oil pipelines to Zambia and Zimbabwe.

However, more ambitious schemes have been slow to get off the ground, in part because member states have been considering more nationally-focused projects. The same has been true of SADCC's efforts to co-ordinate industrial development in the region through plans to create "core" industries, though the disappointing response of investors to projects proposed by SADCC has been an equally important factor.

Nevertheless, greater co-ordination of production, and in particular of manufacturing, has become the main emphasis of SADCC in the last three years. While continuing to avoid the market-integration approach to greater regional co-operation, SADCC has argued that by stimulating a regional approach to increased investment in production, intra-regional trade will be encouraged, and with it, the goal of reduced dependency. To this, SADCC has added the call for greater efforts to develop the region's indigenous skills and enterprise, particularly through policies to encourage the private sector. The dual focus on investment in production and in "enterprise", SADCC argues, offers the best hope of sustainable growth for the region.

SADCC's caution reflects two inherent difficulties in the market integration approach. The first is political: the limitations that membership of such a group places on the freedom of member governments to take certain actions, particularly on matters such as the protection of local industries. The second difficulty is the well-established fact that even if a free trade area or common market results in additional growth in production and trade in the region as a whole, the benefits will go disproportionately to the more developed areas within the market.

Such uneven benefits from market integration can be partially neutralized by

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An interview with Executive Secretary Dr. Simba Makoni

SADCC's second 10 years

Africa Recovery: SADCC celebrated its 10th anniversary on 1 April; what do you believe has been its major achievement and what are the major challenges facing the region during the 1990s?

Simba Makoni: In my view, the foremost achievement of SADCC has been the fostering of a regional identity. The SADCC spirit has now permeated beyond governments to encompass the business community, and other groups in our communities. Much has also been achieved, particularly in the area of transport and communications. More traffic is now flowing through SADCC ports; it is now possible to telephone and telex most member states directly without using transit facilities in other countries; and most member states now have direct air links with each other and national air lines. In the energy field cross-border electricity inter-connections have been completed between Botswana and Zambia, between Botswana, Zambia and Zimbabwe, and between Mozambique and Zimbabwe. More are planned or under implementation between Mozambique and Zimbabwe, between Malawi and Mozambique, between Malawi and Zambia, and between Zambia and Tanzania.

In the agricultural sector, new seed varieties are being tested in all member states; a regional early warning system is now in place and major animal diseases are under control. Finally, there has been the conceptualization of the Programme of Action, spanning seven sectors and costed at $6.3 bn and of the mobilization of strong international support for its implementation.

"It will be naive to imagine that the historical imbalances in the region, which overwhelmingly favour South Africa, will disappear just because there is a majority-based government in that country."

The basic challenge for SADCC in the 1990s remains to work with the member states to improve the region's economic fortunes. SADCC will do this in two ways: first by developing the consensus of member states on the constraints to economic progress, and the measures necessary to overcome them. The challenge of the 1990s will be to achieve an integration between

SADCC

Dr. Simba Makoni

national and regional policies and actions. Secondly, SADCC must formulate and implement concrete programmes and projects to address the region's pressing economic needs. Most pressing here would be the need to develop the individual and institutional capacity not only to conceive, design and implement programmes, but also to adequately manage and maintain high levels of performance of facilities and systems.

There is consensus in the region on the need for increased investment and production. It is recognized that this is primarily the function of the business community. The challenge of the 1990s will be to create a viable, truly regional enterprise sector, with strong cross-border investment and trade links, to create the necessary conditions for greater efficiency and competitiveness.

As the political map of Southern Africa changes, new opportunities and challenges will emerge. SADCC must remain alert to turn both opportunities and challenges into vehicles of economic progress in the region.

AR: How will SADCC's structure differ in its second decade?

SM: SADCC as an institution must continue to evolve in the light of experience, to meet the changing circumstances in the region and the world at large. The issue of how best the organization should prepare to meet the new challenges and situations is being seriously addressed. While we are satisfied that in SADCC we have an institutional framework which is unique and responsive to our objective conditions, we recognise however, the need to strengthen this framework. A decision has been taken at the highest level to give SADCC a legal status so that the organization can function

not merely as an informal "club of friends" but a formal arrangement defining the rights and obligations of member states.

AR: How will Namibia's membership change the nature of SADCC?
SM: Namibia's membership will not change the nature and functioning of SADCC. However, in accordance with the established SADCC structure, Namibia, like the other member states, will carry sector co-ordinating responsibilities. It is imperative that SADCC strengthens its transport and communications links to the west through Angola and Namibia, as part of the continuing effort to integrate the economies of the region, and to take advantage of new opportunities to reduce the transport and communication costs of some of the member states. The current efforts to develop Lobito and Namib ports and to improve road and telecommunications links between Angola and Zambia, Botswana and Namibia should be seen in this context.

With regard to Walvis Bay, it is the position of Namibia and SADCC that this is an integral part of Namibia; and efforts will be addressed to realise this position.

AR: SADCC was formed in part to reduce economic and transport dependence on South Africa. What are the implications for SADCC of a majority-ruled South Africa?
SM: A democratic post-apartheid South Africa has a guaranteed place and role in SADCC. However, it will be naive to imagine that the historical imbalances in the region, which overwhelmingly favour South Africa, will disappear just because there is a majority-based government in that country. For SADCC to be considered successful, a strong, fully integrated, regional economy must emerge based on equitable and balanced economic relations among the countries of the region. We believe that a future democratic South Africa will accept this as a basis for meaningful relations with the other countries within SADCC. Whatever institutions emerge to replace old ones will have to be based on the principle of equity and mutual benefit.

AR: In what ways can SADCC assist in the development and diversification of members' economies?
SM: SADCC has already adopted a regional industrial strategy whose main thrust is the integration of the region's industrial production and marketing structures, on the basis of mutual benefit. Discussions have started within the organization to introduce regional policy co-ordination and planning across all the sectors in the SADCC Programme of Action. Such a development would minimize duplication and conflict between national and regional sectoral policies and plans.

AR: Will the evolution of SADCC into a tighter economic community conflict with similar plans to develop the Preferential Trade Area for Eastern and Southern Africa (PTA)?
SM: Eight out of the current nine SADCC member states are also in the PTA. We are, therefore, assured that the roles of SADCC and the PTA will continue to be complementary as long as member states are fully involved in directing the activities of the two organizations. The secretariats of both organizations also maintain direct contacts aimed at minimizing duplication and conflict.

AR: Is there still a role for SADCC's traditional project co-ordination and donor liaison?
SM: Although the economic performance of the region has, on average, improved significantly over the last few years, the member states remain poor. The material support of the international community will, therefore, be necessary for the foreseeable future. This notwithstanding, we are making efforts to mobilize the region's own resources in order to meet an increasing proportion of our needs.

Out of a total of $6.3 bn, $2.5 bn, or 40 per cent has been secured. The rate of disbursements has been satisfactory and commensurate with our capacity to execute projects. More importantly, we are taking measures to improve the capacity of SADCC organs to design, implement and efficiently manage programmes and projects. To this end, SADCC will soon be launching a training programme for its operatives. ■

Southern African Development Co-ordination Conference (SADCC)

Formed: 1 April 1980

Membership: Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, Zimbabwe. Namibia joined on 1 April 1990

Co-ordinating country and sectoral responsibility: **Angola** - Energy; **Botswana** - Agricultural Research, Animal Disease Control; **Lesotho** - Tourism, Soil and Water Conservation; **Malawi** - Fisheries, Forestry and Wildlife; **Mozambique** - Transport and Communications; **Swaziland** - Manpower; **Tanzania** - Industry, Trade; **Zambia** - Mining; **Zimbabwe** - Food Security, Food and Agriculture

Overall co-ordination: SADCC meets annually, usually in June or July, at heads of government level, with an additional two Council of Ministers meetings. The latter is the effective programme decision-making body, while the annual Consultative Conference with donors, usually held in January/February, has become very important for funding the projects which form the traditional core of SADCC's activities.

Project Status: Over 600 projects have been identified and are in various stages of funding, implementation or completion. Total project cost (as of January 1990) was $6.3 bn, of which transport and communications accounts for $5.1 bn, agriculture, fisheries, forestry, etc., $670 mn and energy $427 mn.

The SADCC Economy*

Total population: 77.35 million (Tanzania - 24.7 million)
Total GNP[a]: $25.15 bn (Angola - $7.7 bn, Zimbabwe - $6.1 bn)
GNP per capita[a]: $325 (highest - Botswana - $1,200; lowest - Mozambique - $100)
Total merchandise exports[b]: $6.9 bn (oil - $1.6 bn; diamonds - $1.4 bn; copper - $815 mn)
Total merchandise imports[b]: $6.5 bn
Intra-SADCC trade: 4.5 per cent of total trade
GDP growth,[c] 1988: 6.3%. SADCC estimates GDP growth of 4.5% (excluding Namibia) for the period July 1988 - August 1989.

*excludes Namibia
[a] World Bank estimates for 1988 (1987 for Angola, which is based on GDP)
[b] 1988 estimates (1987 for Angola and Swaziland)
[c] Excludes Angola and Swaziland
Sources: World Bank, IMF, SADCC, Government of Botswana

compensation mechanisms, such as the proportionate share of customs revenues allocated to the three smaller members of SACU. Such measures, however, apart from being difficult to negotiate and operate, have not been very effective in countering market forces and even less so in persuading the less developed areas that they are getting a fair deal, as SACU amply shows.

SADCC has avoided the pitfalls which have brought other schemes for regional co-operation to grief, but in doing so has raised the question that by confining itself to so modest a role, it can only make an insignificant impact on the deep-seated structural weaknesses with which the separate economies of its members are all labouring. The greater emphasis in recent years on production co-ordination in the region demands that SADCC, as an entity in its own right, take a more prominent role than that envisaged in Lusaka in 1980. As Zambia's President Kenneth Kaunda put it at SADCC's 1989 summit in Harare last August, "co-operation in production will, of necessity demand from us closer co-ordination of macro-economic issues such as taxation, exchange rates, licensing, prices and exchange control." He concluded that such a strategy would inevitably "blur the hitherto clear distinction between national and regional policies."

As SADCC executive secretary Simba Makoni has pointed out, such a strategy also implies the transformation of SADCC from a mere memorandum of understanding between participating states to the establishment of a formal legal entity. To this end the summit instructed the Council of Ministers to draw up a plan to formalize SADCC.

Thinking SADCC

Ten years of existence has already helped people in the region to "think SADCC" and therefore to think regionally. SADCC has also commissioned a number of studies involving greater integration — a regional stock exchange, cross-border investment, regional macro-economic co-ordination — with others in the pipeline. While continuing doubts have slowed progress on a SADCC development fund, the establishment of the Norsad Fund — to help finance joint-ventures between SADCC's private sector and Nordic companies — has created what could become the nucleus of a regional investment bank. Events unfolding in South Africa may serve to underline the need for a more aggressive agenda and, through it, a more integrated regional entity. As well as reducing transit dependence upon South Africa, the need to improve regional terms of trade with the Republic will be important to the member states even after majority rule in the latter is achieved. This is crucial when the pull of the largest economy in the region on its neighbours can be expected to be as strong as ever.

Jorgo Jaranuro/AM

An end to destabilization by South Africa —which has cost the region up to $60 bn over the last ten years — would be one immediate benefit for SADCC from a majority-ruled South Africa.

Botswana, Lesotho and Swaziland continue to belong to SACU and, except for Botswana, to the Rand Monetary Area because of the trade and revenue benefits which they derive from this membership, however inequitably these benefits may be shared. The point is underlined by Namibia's decision to maintain its membership of both for at least two years, despite its accession to SADCC.

SACU is a regional trade area while SADCC is still a conference. When South Africa joins SADCC, the individual member states and not SADCC will negotiate trade and investment relations. These could strengthen their bilateral ties with South Africa at the expense of more hesitant ties between member states.

While the rationale for SADCC's formation was always much broader than the fight against dependence upon South Africa and its apartheid system, the ending of this battle could weaken an important element pulling the present SADCC members together. Former Tanzanian president Julius Nyerere's decision to refuse the first chairmanship of SADCC in favour of someone whose country was more directly involved in the battle against South Africa symbolized the importance of this issue in uniting the nine member states. Not least of these ties has been the ability to tap the relative largesse of Western aid donors, happier to show their solidarity for the fight against apartheid by helping SADCC than in deepening sanctions against South Africa. With the exchange of goods between member states still less than 5 per cent of their total trade, strengthening the economic rationale for SADCC will be an urgent priority. The imminent conclusion of talks between Zimbabwe and Mozambique on the much-discussed project to supply electricity from the latter's giant Cahora Bassa hydro-electric power complex is a hopeful sign of the growing economic ties between SADCC members. Nevertheless the lack of concrete results in long-held plans for SADCC co-operation in other areas, not only in the energy sector, but also in regional industrial planning for example, highlight the distance SADCC must still travel to make economic integration a reality.

This must be attempted as other regional ties grow stronger. As well as SACU, any enhancement of SADCC's role will occur in the context of the further development of the Preferential Trade Area for Eastern and Southern Africa (PTA), which presently includes all but Botswana and Namibia among SADCC members. Unlike SADCC, it has proceeded with the establishment of supra-national institutions, to back up its efforts to facilitate greater intra-regional trade. The principle institutions of these are

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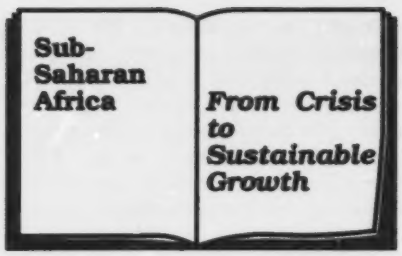
Reactions to Bank study

The World Bank's new long-term perspective study on sub-Saharan Africa has become an important focus for debate on the appropriate strategies for sustainable growth and development in the region. Africa Recovery obtained the following reactions to the Bank study from some of the people active in African development issues.



The long road to development

Reginald Green

The World Bank report is the best of its series of continental overviews and arguably the best study from any source, with apologies to the ECA's *African Alternative Framework*. It is a reasoned, pragmatic study. While its enthusiasm for private and unregulated market solutions appears, at times, to rest on faith more than logic or experience, that is not true of most of its proposals or conclusions.

Clearly, the Bank has learned much — and structurally adjusted its own approach — since its first overview in 1981. Growth is seen as a pre-condition for stabilizing the economy and attaining structural change. Further, it is argued that growth must be equitable and environmentally sound. This is light-years away from the 'external debt first...stabilize by cutting' straw person frequently set up by Bank critics.

The Bank admits its own errors: for example, human investment and meeting basic needs are restored to priority status and their early 1980s downgrading bluntly portrayed as disastrous.

"Governance" is the study's somewhat coded amalgamation of governmental and institutional capacity reform. The key problems of governance vary between countries. However, that the study has managed to speak openly of inequity, oppression, corruption and to call for organized domestic criticism and countervailing power is refreshing and courageous.

Above all, the study really is long-term in nature and not a crisis management exercise with projections tacked on. Structural adjustment country strategies were initially for 3-5 years. They have de facto been extended to 7-10 years. Will they now become open-ended, a more flexible — self-adjusting — model? That would fit the study's advice that external support focus on sustaining — and advancing — what an African state has already begun to do rather than paying it for compliance with conditions which are de facto imposed on present or future shifts in policy. Certainly such a focus — which has perhaps begun in a limited way — would both encourage African initiatives and policy capacity- building and lessen the very dangerous tensions typifying many present aid "agreements."

The study rightly indicates the relevance of low growth of GDP, high population growth rate, falling capacity utilization and plummeting efficiency of investment to Africa's disastrous economic performance in the 1980s. But it seems inadequately aware of the nature of the linkages between all the factors and the policy conclusions to be drawn. One example is labour cost and productivity. Labour costs are often high, but in many countries wages are arguably still below the minimum efficiency level; in Tanzania the monthly minimum wage is $10, while the minimum monthly household expenditure needed to stay out of absolute poverty is about $40. Informal incomes can add 50-67 per cent to household incomes, but rarely the 100-300 per cent usually needed. Arguably then, higher real wages are a sine qua non for rising labour productivity.

The study, like everyone else, has no workable long-term trade restructuring theory. Over 80 per cent of the region's export earnings come from products for which higher output by African countries will probably lower total African export earnings. In the short-term there may be no option for any country except raising export volumes, but that cannot be even a medium-term strategy. Country-specific work on viable multi-product export structures is vital, but is given low priority, not least by the Bank.

As is too common in Bank work, the revenue side of fiscal policy seems divorced from operational reality. It is not true that most human services can be largely self-financing and broadly accessible — detailed Bank studies suggest 10-20 per cent is a realistic maximum for health and education.

The study's advocacy of the "informal" sector lapses into over-enthusiasm: the sector is not homogeneous, and is limited in productivity and flexibility. Identifying the truly dynamic elements is important for devising strategies for structural change.

The study's call for more timely and reliable statistics is welcome. But at points one wonders whether its authors fully realize how bad the empirical foundation for some analysis and proposals is. For example, do we know how much — or, in some cases, even if — population growth rates have risen? So long as real pauperization and food insecurity are rising, access to basic services falling and infant mortality rates stagnant, can any population policy do much to address the basic causes of high birth rates? Arguably, food security, infant mortality and female literacy are the key fronts on which population strategy must be fought today in most of sub-Saharan Africa.

The study rightly advocates a long-term strategy, and more patience. But are its projections of 1 per cent growth in per capita output and zero growth in per capita consumption for the next decade "sustainable"? Or will they lead to implosion from growing despair, even if an explosion from growing desperation is avoided? That is a real question in moderately successful adjustment efforts, such as in Ghana and Tanzania.

The study seeks to reconcile its renewed primacy for basic needs with zero growth in per capita consumption by calling for a reallocation in expenditures; a 5 per cent cut in the consumption of the top-income bracket and a 2 per cent increase for the bottom group. Analytically, this is hard-headed but soft-hearted. Politically, it is unlikely to prove possible. Reallocation out of increased total resources can be done in many contexts; radically cutting the top to transfer to the bottom out of stagnant resource flows tends to require a violent revolution. The study over-estimates probable new external flows and improved debt relief, so they present dubious solutions to a problem, which has no obvious solution.

But this grim warning should not detract from what the study has achieved. Nor should it be forgotten that to be able to query specifics and components — even if important ones — in an overall presentation, analysis and agenda, one must have a basically plausible, even if incomplete or flawed, foundation of data, interpretation and conclusions for action. That *From Crisis to Sustainable Growth* does provide. ■

Mr. Green is a Professorial Fellow at the Institute of Development Studies, Sussex, UK.

Building up domestic capacity

Pierre-Claver Damiba

The new study puts the Bank in the forefront of the search for workable long-term solutions to African development. It correctly makes human resources development the centrepiece of its strategies. Both are crucial if short-term measures including current adjustment efforts are not to jeopardize long-term development. Early reform measures took a short view of the African crisis and inadvertently contributed to the deterioration of social services.

For the first time, the Bank has dared to touch upon major constraints on development hitherto subsumed under the economist's "ceteris paribus" assumption. Bad government and resulting myopic policies are clearly identified as major constraints on economic progress. Technological considerations which have often been neglected in the post-independence development strategy are targeted by the study, which sees technology as a cornerstone in reviving agricultural production and improving the competitiveness of African economies in an increasingly interrelated global economic system.

I personally share the view of the report that agricultural development holds the greatest prospects in the short run. However, the prospects for traditional tree crop exports may not be as bright as the study pictures. Even though the terms of trade for African agricultural exports over the last three decades may not be the main cause of the continent's crisis, technological advancement and the increasing output of tropical produce in South East Asia and Latin America makes the past a poor guide for the future.

As expected, a framework for the long-term development of 47 countries with differing economic systems can only be broad and lack specificity. Nevertheless, the report suffers from lack of even a minimal attempt at disaggregation. For example, it is oblivious to the peculiarities of the Sahelian zone and the least developed countries vis-à-vis other economies such as Ghana, Zimbabwe and Nigeria which have a relatively good infrastructural and industrial base to build on.

This points to the need to work out country-specific strategies as soon as possible. In countries facing acute debt servicing problems, such as Nigeria, such action needs to be very quick.

However, it would be counter-productive to have that done from Washington.

World Bank

Raising the productivity of the informal sector is vital for Africa's recovery efforts.

There is need to internalize the process in the individual countries, something the report, despite the claim of wide consultation, is very weak on. I think that, given the influence of the Bank on economic thinking in Africa, the issue of capacity-building and internalization of economic strategy formulation and implementation should be taken up more seriously.

The study rightly calls on governments to harness the strengths of the informal sector and to use the services of multinational companies as sources of technology, management and capital. But, while it decries the weakness of middle-level entrepreneurs, the study is weak on existing private sector operators beyond the informal sector who hold the key to revamping existing industries and collaborating effectively with foreign firms. Similarly, the study favours a pragmatic approach to regional co-operation starting with a few countries at a time; but it does not address the needs of existing frameworks such as the OAU, ECOWAS and SADCC and how their functioning could be improved. ■

Mr. Damiba is the Assistant Administrator (Africa) of the United Nations Development Programme.

Less exciting than it seems

John Clark

Those who criticize the World Bank for having a dogmatic free-market approach to Africa's economic problems and an obsession with devaluing currencies and cutting public spending irrespective of the human costs will find this report surprising reading. It places a refreshing emphasis on democracy, free speech, public accountability, doubling spending on health and human resources, and spells out the need for "adjustment with a difference" designed to "put people first." But in between these bold pronouncements the message conveyed in the detail is less exciting: adjustment with a more human face but an all too familiar body.

It would be a shame if Bank critics just found fault with this document, however, because it does break exciting new ground, not just for the Bank but for the donor community at large. Many of the suggestions are revolutionary for the Bank and are likely to make hard-liners wince.

Much of the report, though, is frankly disappointing. The policy conclusions don't match up to the rhetoric and are mostly old-hat: promoting market liberalization (albeit more gradual in pace) and foreign investment, greatly reduced government intervention, and greater emphasis on exports, especially in agriculture. The diagnosis has changed but the medicine remains the same.

What will offend most is the repeated claim that the continent's economic problems are "not primarily due to external factors" but to internal incompetence. The latter should not be overlooked but it is simply unhistoric and irresponsible to let the international community off the hook so glibly. Colonization is blamed for leaving behind high public sector wage expectations but not for its legacy of primary commodity dependence and inevitable conflicts arising from the arbitrary drawing of national boundaries. The report also deserves criticism for treating Africa as a homogeneous continent and for all but ig-

noring the costs of conflict and destabilization in Southern Africa.

There is some welcome criticism, including self-criticism, of the official aid community for having made bad investments in the past, for diverting attention from basic needs in responding to the economic crisis, for fostering corruption, and for imposing blueprints rather than listening to the people, but the Bank avoids incisive conclusions.

Whether the report deserves more criticism than praise depends on the reader. What it certainly deserves is attention. It will clearly be an agenda-setting report for some years to come. ■

Mr. Clark is Development Policy Advisor for Oxfam, UK.

More basic change needed

Ben Turok

The report shows a new sensitivity to the views of the Bank's critics, and even engages in some self-criticism. There is also a concern about the effects on ordinary people of its policies and a recognition that development will not take place without popular participation.

But this will not let the Bank off the hook if there is not a more fundamental revision in its attitude to structural adjustment programmes (SAPs). Wherever we place the blame for Africa's present crisis, with governments or with external factors, there is now an overwhelming view in Africa that SAPs are the main obstacle to overcoming the crisis. Even debt takes second place to that.

What have SAPs done to enhance Africa's real revenues from exports? Yet export earnings remain a central criterion for the Bank. What have SAPs done to reduce debt servicing? And yet solvency is important for the Bank. What have SAPs done to sustain social services in Africa? We know the answer, there has been a sharp reduction to the point where even the Bank is talking about rejuvenating education, although mainly at primary level.

Africa has suffered a great deal from the Bank's emphasis on exchange rates, GDP growth, inflation and exports. This is why critics are turning to new concepts like food self-sufficiency, giving primacy to agriculture by the majority of producers and not a handful of large commercial farmers.

We now know that the world market is excluding and marginalizing Africa's economies except in so far as it benefits from cheap commodities. At the same time there is a major effort to integrate Africa's leaders politically through the supervision and enforcement of SAPs. This is leading to major tensions and polarizations on the continent which the Bank ought not to ignore. ■

Mr. Turok is Director of the Institute for African Alternatives in London.

There are still inconsistencies

Rolph van der Hoeven

This report is a welcome change from the Bank's other 1989 report, *Africa's Adjustment and Growth in the 1980s*. The emphasis on empowering people, meeting basic needs and increased investment in human capital marks a renewal of concerns the Bank was developing at the end of the seventies, and contrasts with the straightjacket approach of adjustment in the 1980s.

Despite its boldness (or perhaps because of its boldness) in acknowledging past failures in design and implementation of adjustment policies in Africa, the report still provokes a number of observations.

The statement that sub-Saharan African countries were confronted over the long run with smaller terms of trade shocks than other developing countries is out of context. First, as the Bank's figures show, *poorer* sub-Saharan African countries were more severely affected. Secondly, although there have been upward movements in the 70s, the downward trend in the 80s was very large and was not predicted by anybody, including the World Bank. Consequently, policy advice and investment decisions were based on totally wrong assumptions. For most African countries, the external shocks in the 1980s have been extremely large. Managing such shocks would have surpassed the capacity of almost any country in the world, including the industrialized rich countries.

Africa has witnessed tremendous progress in human capital building over the last two decades. The report could have been more positive about the rate of progress. Unfortunately, recession and adjustment have put this progress under tremendous pressure. Emphasis should be placed on how to restore past trends and how to generate the resources to do so.

Although the report is very careful not to give a blueprint for development, it is sometimes difficult to detect consistency between some of the arguments. For example, financing a part of human capital formation through user charges and cost recovery will not improve management and is certainly not going to increase equity.

The biggest challenge facing the World Bank is how to go from words to action. The report is frank about the need for increased external resources to support the twin aims of equitable growth and human development. Unfortunately, the report is almost silent about the role of the international financial institutions in debt reduction. A related question is: what would be the channels of additional foreign resources to support equitable development? More of the existing bilateral and multilateral channels or radically different channels focusing on domestic groups and institutions? Also, will the Bank be able to adapt its own policies to the various objectives to combat poverty and to put people in the centre of development? Would this require change in the present structure of the World Bank? ■

Mr. van der Hoeven is Economic Advisor with the UN Children's Fund,(UNICEF).

Next step of national strategies

Ellen Johnson Sirleaf

Since the early years of independence in the 1960s, the World Bank has played an increasingly large partnership role in Africa's development, but has limited its involvement and influence to economic issues perceived to be neutral to the political perogatives of a sovereign state.

The recently released report is a departure from this traditional stance. While advocating the need for continued economic reform and structural adjustment, it identifies human resource development as the primary target for future investment.

Moreover, perhaps for the first time in a Bank publication, the report recognizes that good governance is a necessary if insufficient condition for sustainable growth. It is the elements of good governance which contribute to the promotion of an enabling environment of confidence that in turn results in keeping Africa's scarce human and financial resources at home.

The Bank should now take the next and bold step of having the study discussed and debated at national levels as a means of helping African countries to develop strategic agendas more specific and more relevant to their own conditions and requirements. ■

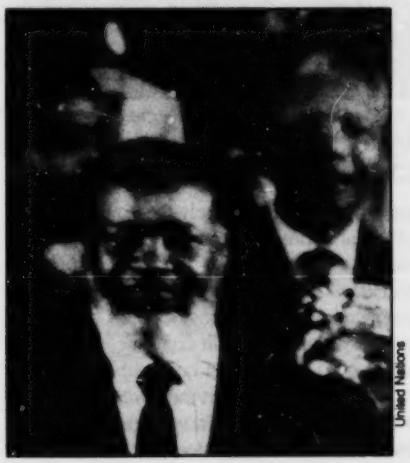
Ms. Sirleaf is a vice president of Equator Advisory Services, based in Washington.

NAMIBIA

from page 1

nificant cutback unlikely in the short-run.

The UN has called a donor's conference, to be held in New York on 21-22 June, where the government will seek international support for its priority programme. Some $100 mn has already been pledged since independence. The government will present a three-year investment programme to donors with "no apologies for its predominantly social concerns", Dr. Zedekia Ngavirue, director general of the National Planning Commission, told an informal meeting with



United Nations

President Sam Nujoma (and Nelson Mandela) at the 21 March independence ceremony.

donors on 23 April. While the government sees its priorities as a vital long-term investment in growth and development it will also be seeking general budgetary support, which is needed "badly" officials say. With public expenditure equal to more than half of GNP, action on the deficit is crucial to generating sustainable growth. Rationalizing the two-tier system of administration, with its duplication of costs, inherited from the previous regime will help, Dr. Ngavirue told Africa Recovery. But the new constitution guarantees existing civil servants — who number 50,000 out of a total population of 2 million — employment.

The government's need for cash will also be increased if its commitment to a fairer distribution of land is based on a policy of voluntary sales at a fair price. The country's black majority currently holds only 20 per cent of the cultivated area, with the 5,000 white farmers accounting for 95 per cent of agricultural output.

Dr. Ngavirue stresses the importance of improving land use, along with the need for improved access to water, seeds, fertilizer and other inputs as well as credit. Increasing income-earning opportunities in the rural areas is an important counter to the mounting problem of unemployment — presently running at 30 per cent of the formal sector work-force. In the longer term employment generation will depend on transforming Namibia's economy, at present centred on supplying raw materials to its large neighbour, officials say.

Run for so long as a province of South Africa, the government faces a major task in determining a more independent economic policy. The International Monetary Fund (IMF) is already helping to set up a new central bank. But Herrigel's statement in mid-April that Namibia will have to remain part of the Rand Monetary Area, as well as the Southern Africa Customs Union, for at least two years confirms the problems facing the new government in distancing itself economically from South Africa when 90 per cent of imports still originate from or pass through there.

The government, however, has already taken action to protect its economic heritage. The government has suspended fish quotas and proclaimed a 200 nautical mile economic zone. Countries have been told that the allocation of new quotas would depend on the degree of onshore processing foreign companies would be prepared to do. The government wishes to set up a public corporation, possibly as a joint venture, to increase Namibia's stake in the fisheries sector and help to ensure increased valued-added exports.

The principle of a mixed economy is enshrined in the new constitution. An investors conference is planned for next November in Windhoek. An investment code is expected to be ready shortly. Already the UK's Lonrho has announced plans for a $150 mn investment in a sugar plantation and refinery. West German companies have also moved into the mining and financial sector.

But with mining accounting for nearly 80 per cent of foreign exchange earnings, President Nujoma has made it clear that it is time that the local business community had a chance "to participate in this vital sector." This could include a government stake — it has already inherited an equity participation in Rossing Uranium — provided the cash is available, but nationalization for the moment "is not on the cards," officials say. ■

SADCC

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the PTA bank, based in Bujumbura, Burundi and the clearing house, based in Harare, which handle the PTA's unit of account and trading balance. These are designed to remove the impediment of the lack of an acceptable medium of exchange in which to carry out transactions between member states.

The PTA's achievements in fostering greater regional trade remain modest. But they stand in contrast to SADCC's reluctance, to date, to act on much discussed plans for similar regional institutions. As the PTA makes progress in breaking down trade barriers, in encouraging investment, there is a danger that countries, such as Tanzania, on the geographical periphery of SADCC, will be drawn more and more into the PTA fold. Notwithstanding this apparent conflict of interest between the PTA and SADCC, there is, or should be, a complementarity. SADCC cannot afford to be antagonistic towards the PTA; SADCC's high investment in infrastructure makes access to a larger market, such as the PTA can provide, an important priority. Similarly, aside from Kenya, the SADCC part of the PTA would be the most important engine of growth for the whole area.

SADCC and South Africa

This would be even more true when South Africa joins. But South Africa may wish to weigh carefully the benefits it derives from the SACU arrangements, which are tangible but which it would have to give up on joining the PTA, against the less clear gains from joining a trade area in which the moves to market integration remain hesitant. It is possible that South Africa would prefer to depend upon the bilateral trade which could be conducted openly after majority-rule is achieved. But it is an eventuality that SADCC planners are already beginning to consider. Caught between the opportunities and dangers presented by a majority-ruled South Africa and the slow evolution in economic relations elsewhere on the continent, SADCC members are looking again at the goals enunciated 10 years ago in Lusaka to see how the vision of equitable regional development can be best achieved. A likely result of this reassessment is the transformation of SADCC from a loose gathering of separate states, with much of its activity centered on co-ordinating aid initiatives, to a more inward-focused and organic entity primarily concerned with fostering greater economic integration. ■

AFRICA IN BRIEF

First Brady deal in Africa

Morocco concluded a provisional agreement with its commercial creditors in April, incorporating Africa's first Brady Plan arrangements. The deal includes a range of options designed to reduce Morocco's stock of debt: a debt buy-back, on terms still to be finalized; the conversion of existing debt into 10 or 20-year bonds; and the provision of new loans, equivalent to 15 per cent of existing exposure. The terms will be applied on Morocco's medium-term commercial debt which totals $3.2 bn and could save the country over $100 mn a year in servicing costs, bankers calculate, depending on the mix of options taken up by banks.

The agreement, however, is conditional on Morocco's successful negotiation with the International Monetary Fund (IMF) of a three-year Extended Fund Facility. This will require agreement on an economic programme which is not expected to be in place until early next year. A deal with the IMF would give Morocco access to official funds with which to finance its debt buy-back programme.

In the interim, Morocco has concluded a more convential rescheduling of its commercial obligations. Some 86 per cent of the medium-term debt will be rescheduled over 20 years, including a 10-year grace period, at an interest rate of 13/16 percentage points over money market rates; this is a reduction from the prevailing average rate of around 1 3/8 per cent. The remaining 14 per cent of the debt, which has been previously rescheduled, will be rescheduled over 15 years.

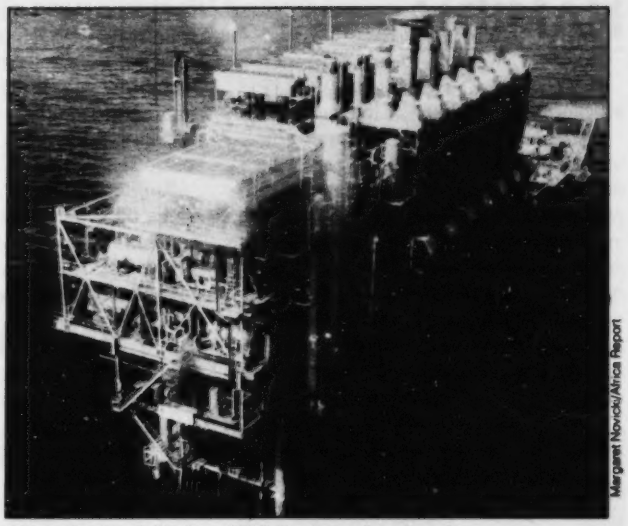
Nigeria has also been talking with its commercial credits on new repayment arrangements, including possible Brady-type arrangements. At a meeting of the London Club in March, Nigeria proposed converting part of its $5.5 bn debt with commercial banks into 30-year bonds, paying interest of only 3 per cent. Nigeria has also proposed an eight-year moratorium on interest payments, including that on $11.2 bn of promissory note debt, initially contracted as a short-term obligation but which has already been rescheduled twice. Nigeria says it faces a huge financing gap in the next few years, a position which is disputed by the banks. The coup attempt in April was expected to strengthen Nigeria's hand in wringing out better terms from both the banks and its official creditors — it wants Toronto terms — who it is due to meet in June. Negotiations, however, were expected to be long and possibly acrimonious as both official and commercial creditors continued to question Nigeria's claim for better terms.

Côte d'Ivoire's negotiations on rescheduling $3.2 bn of commercial debt have been put on ice following the suspension of the IMF programme in the wake of riots in Abidjan. Bankers are not expecting to resume talks for some time. Even then a consensus between banks on a Brady-style arrangement could prove difficult, with some French banks reported to be reluctant to see the large write-down US and British banks are advocating as part of any debt-reduction package. ■

Oil, gold down; cocoa prices up

Oil and gold prices both fell sharply in March and April, but mounting uncertainty in Côte d'Ivoire has helped to lift cocoa prices.

Oil prices plunged by more than $3 a barrel in the first week of April, fuelling fears of a collapse comparable to 1986 when prices fell by more than 50 per cent. The traditional weakening in oil prices during the warmer second quarter has been accelerated by continued high production for a market where demand is weak and stocks already high.



Margaret Novicki/Africa Report

Oil production is likely to fall following a drop in prices.

At a 3 May emergency meeting OPEC ministers pledged to cut production by 1.445 mn barrels a day (b/d). Nigeria immediately announced a 140,000 b/d cut in its output. Prices have subsequently recovered some of their lost ground, but the market mood remains uncertain.

Gold prices fell by more than $20 — or over 5 per cent — in a single day's trading in March. Prices on the London bullion market fell to $368 an ounce on 26 March on news of large sales from the Middle East. The strengthening of the US dollar has severely reduced investor interest in gold and analysts expect little chance of recovery in the near future, with prices remaining flat throughout April. The fall ended a promising six-month rise in prices which had taken them to over $420 an ounce in January. A number of African countries, such as Ghana, Mali and Tanzania, have recently invested in increased gold production in an effort to diversify their export base.

Gold's fall is mirrored in a general weakening of prices in the metal markets; one of the few African export sectors which remained buoyant in 1989.

Cocoa prices, by early-May, were at their highest level for more than a year, up nearly 60 per cent on the 14-year lows reached in December. The price surge is largely the result of continued uncertainty over supplies from Côte d'Ivoire, the world's largest producer. Despite continuing large stocks, analysts say prices could continue to rise if, as expected consumption starts to rise, particularly in Eastern Europe. The agreement in March to extend the present International Cocoa Agreement, though without any active economic clauses, which removed the threat of large sales from the pact's stockpile, has also helped to boost prices.

Diamond producers, such as Botswana, Guinea and Zaire, face brighter prospects, with South Africa's De Beers Consolidated Mines — which markets 80 per cent of the world's diamonds — on 21 March announcing an average 5.5 per cent rise in the price of rough diamonds. This follows a 15.5 per cent rise in 1989.

Apart from diamonds, prices of most African exports remain disappointing.

Tea prices fell to their lowest level in five months in February, partly as a result of higher African output. By the end of February the average price of Kenyan teas on the London auctions had fallen nearly 25 per cent from their December average and have remained depressed. ■

IDA lends to West African bank

The International Development Association has lent $40 mn to the Banque ouest-africaine de développement (BOAD) supplemented by another $15 mn loan from the World Bank. The BOAD was set up in 1974 as the development bank of the francophone West African Monetary Union (UMOA) grouping Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal and Togo. It provides loans and makes equity investments in public and private sectors. The funds will be directed by the BOAD to projects in such sectors as industry, energy and transport, ranging in value between $3 mn and $10 mn, with a minimum 12 per cent rate of return. ■

Donors back Zambia's reforms

Zambia's reform programme received pledges totalling $450 mn from donors at a consultative group meeting in Paris on 9-11 April. Some $250 mn will be in the form of quick-disbursing balance of payments support, with the remainder for projects. This will include help for the government's social action programme, where upgrading health centres and improving nutrition are priorities.

Zambia is committed to a structural adjustment style reform programme, cutting back public expenditure and liberalizing the economy. In February, a two-tier rate for the kwacha was introduced with special market-related rate of 40K = $1 for a range of transactions, including exports and tourism. By the end of April, however, the official rate for the kwacha, which was devalued in June from 10K = $1 to 16K = $1, was close to the market-related rate, a depreciation of over 70 per cent. The currency reforms have raised inflationary fears — petrol prices were raised 30 per cent in March and higher fertiliser costs are reported to have hit maize plantings at a time when drought is threatening the country's self-sufficiency for the first time in three years.

Despite the new aid support Zambia still faces a financing gap this year of at least $225 mn. A meeting of the Paris Club to reschedule official debts is expected in June or July. Efforts to form a support group to enable Zambia to pay off its large arrears to the International Monetary Fund and the World Bank, which prevents its borrowing from them, have made little progress aid officials say. ■

ADB boosts its lending

African Development Bank (ADB) group lending rose by more than 30 per cent in 1989, according to preliminary figures released by the Bank. Commitments totalled $2.86 bn compared with $2.18 bn in 1988. Lending from the ADB itself totalled $1.86 bn, nearly 17 per cent above target, while lending by its soft-loan affiliate, the African Development Fund, totalled $982 mn, nearly 13 per cent above target. Commitments by the Nigeria Trust Fund totalling $9.2 mn made up the balance of lending. Disbursements, at $1.54 bn, were also up on 1988 by over 30 per cent. The net transfer of resources (disbursements minus repayments) was $1bn, up from $783 mn.

By sector, multi-sector loans, over 21 per cent of total bank group lending, had the largest share, followed by agriculture at just under 20 per cent. Lending for health and education, rose from $67 mn in 1988 to $418 mn in 1989. Policy-based lending, at $576 mn, was up on 1988, but its proportionate share fell to 20 per cent from nearly 26 per cent in 1988.

North Africa — at 30 per cent — again accounted for the largest share of bank group lending by region, followed by Central Africa. ■

AFRICA AGENDA

UPCOMING EVENTS:

26-31 May, Abidjan: Annual meeting of the African Development Bank.

5-7 June, Nairobi: Conference on African Economic Issues, sponsored by the World Bank and the Nairobi-based African Economic Research Consortium, for mainly African researchers to present and discuss papers on such topics as financial sector and trade policies, exchange rates, entrepreneurship and industrial development.

6 June, London: The Prospects for Africa in the 1990s, a conference organized by the British All Parliamentary Group on Overseas Development (APGOOD), the Overseas Development Institute, and UN Africa Recovery Programme. Speakers include British Foreign Secretary Douglas Hurd, Salim Salim (OAU Secretary General) Kenneth Dadzie (Secretary-General of UNCTAD, Adebayo Adedeji (ECA Executive Secretary), Dieter Frisch (European Commission Director-General for Development), Tom Vraalsen (Norwegian Minister for Development Co-operation), William Ryrie (Executive Vice-President, International Finance Corporation), and Jim Lester (Conservative Party member and deputy chairman of APGOOD).

6-8 June, Paris: Special Programme of Assistance to Africa: Industrialized country donors will meet to decide on the extension and funding of this World Bank-co-ordinated initiative to boost aid to sub-Saharan Africa.

6-8 July, Houston, Texas: The Other Economic Summit, an annual event since 1984, will host representatives from the world's seven poorest nations alongside activists and academics.

9-11 July, Houston, Texas: Western Economic Summit. Annual meeting of the Group of Seven leading industrialized nations. Extending debt relief to certain middle income countries, is expected to be on the agenda.

July, Addis Ababa: Annual meeting of the working party of African Governors in the International Monetary Fund and the World Bank.

July, Addis Ababa: Summit of the Organization of African Unity.

3-14 September, Paris: Second UN Conference on the Least Developed Countries.

Dutch to hold conference on Africa

In order to maintain the momentum of international efforts to promote African economic recovery, the Dutch government is hosting an intergovernmental conference in Maastricht on 2-4 July. Besides ministers from African and donor countries, UN representatives, development experts and aid officials will also attend. Botswana's President Quett Masire and former World Bank president Robert McNamara are expected to chair. The meeting is likely to address many of the strategic issues which have been raised recently by, among others, the World Bank and the UN Economic Commission for Africa. This initiative by Dutch Co-operation Minister Jan Pronk is seen as vital in maintaining donor attention on Africa and on such issues as debt, aid flows and commodities at a time when events in Eastern Europe and elsewhere are dominating the political stage. ■

December, Addis Ababa: The anticipated impact of the European Monetary System on African monetary and financial arrangements is the theme of an Expert Group meeting of the ECA.

WHAT'S TAKEN PLACE:

12-14 December, 1989, Dar es Salaam: Alternative Development Strategies for Africa, a conference organized by the London-based Institute for African Alternatives and the University of Dar es Salaam's Institute of Development Studies, adopted a declaration which urged African governments to scrap their structural adjustment programmes, replacing them with programmes based on the African Alternative Framework, and called on the Bank and the Fund to respect African sovereignty by providing technical and financial support for these alternative programmes.

6-9 February, Lagos, Nigeria: First International Workshop on Business Opportunities in ECOWAS

23-24 March, Paris: The growth of private enterprise in Africa: Opportunities for international investment, was a major conference organized by the African Development Bank and the *International Herald Tribune* with speakers ranging from Presidents François Mitterrand and Hosni Mubarak, and senior ministers, to top European, Japanese and African commercial, merchant and investment bankers, and business people.

19-20 April, New York: Southern African Economic Forum. Speakers at this one-day meeting included New York State Governor Mario Cuomo, ECA Executive Secretary Adebayo Adedeji, and ministers from Namibia, Botswana, Tanzania, Angola, Zambia and Mozambique. It was organized by the New York State Governor's Office, the African-American Institute, and the Harlem International Trade Centre Corporation.

23-25 April, New York: Beyond the Debt Crisis: Structural Transformations was the theme of a seminar held at the same time as the UN General Assembly's Special Session on international economic co-operation. Organized by the UN Non-Governmental Liaison Service, some 56 women leaders and policymakers came from 20 developing countries, alongside women from the US, Canada and Europe, to advance the loose confederation of NGOs born at the 1987 Women's Alternative Economic Summit. The discussion centered on analyses of the specific impact of economic crisis on women, and of the appropriate strategies for transformation.

25 April, Washington, D.C: Africa's Finance and Development Crisis. Speakers at this conference, organized by the Bretton Woods Committee, included World Bank President Barber Conable, IMF managing director Michel Camdessus, UN Under-Secretary General Adebayo Adedeji, and African Development Bank President Babacar N'Diaye.

4-8 May, Washington, D.C: Spring meetings of the International Monetary Fund and World Bank. Twice-yearly meetings of the IMF's interim committee and of the IMF/World Bank joint development committee.

7 May, Montclair, New York State: Europe 1992, Africa, and the US was the subject addressed by representives of the European Community, the US Export-Import Bank, the US Department of Commerce, the World Bank, the African Development Bank and UNDP at a conference organized by Montclair State College. ■

AFRICA BOOKS

State of the World, 1990, Worldwatch Institute (W.W. Norton and Co., New York and London, 1990; $9.95) reports on the progress—or lack of it—towards a sustainable society, with extensive treatment of vital human and ecological issues set in the context of both the domestic and the international economy.

Structural Adjustment and Agriculture: Theory and Practice in Africa and Latin America, Simon Commander ed. (Overseas Development Institute, Heinemann, James Currey, London, 1989, 30 pounds cloth, 11.95 pounds paper), examines the theories and priorities of IMF and World Bank-designed adjustment programmes, and their impact on poverty-alleviation, food security and nutrition. After six freshly-researched country studies (four African — Ghana, Zambia, Senegal, Morocco — and two Latin American — Colombia, Brazil), it concludes with two overviews of adjustment experience arguing for programmes designed to suit domestic and international realities.

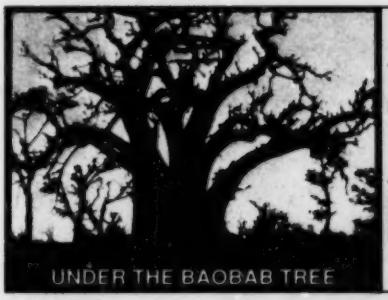
Trade, Exchange and Agricultural Pricing Policies in Ghana, Dirck Stryker (World Bank; 1990; $21.95) looks at pricing policy for imported and locally produced food staples, and argues that government intervention in the cocoa sector played a major role in economic decline and instability after independence in 1957.

An NGO Guide to Trade and Finance in the Multilateral System (Non-Governmental Liaison Services/New York; 1989) assembles names, addresses, and essential facts about the IMF, World Bank, the General Agreement on Tariffs and Trade, UNCTAD, official contacts in the US, Canadian and Japanese governments, NGO perspectives on the relevant institutions and current issues, as well as a bibliography and NGO addresses in the three countries.

Fragile Coalitions: The Politics of Economic Adjustment, Joan M. Nelson and contributors (Overseas Development Council, Washington DC, 1989, $15.95) studies the conception and execution of adjustment programmes. It analyses the complex interplay of domestic and foreign interest groups—for example, "does democracy impede disinflation?"—and offers advice on appropriate tactics for the interventions of external agencies promoting adjustment.

Engendering Adjustment for the 1990s, Report of a Comonwealth Expert Group on Women and Structural Adjustment (Commonwealth Secretariat, London, 1989, 6 pounds). A 10-member group (nearly all women) set up at the request of Commonwealth leaders in early 1988, studied nine countries, including Nigeria, Tanzania, Zambia and Zimbabwe from Africa. It recommends adjustment that incorporates equity and growth, full integration of women in decision-making, and a supportive international environment.

African Development Prospects: A Policy Modeling Approach, Dominick Salvatore, ed, (Taylor & Francis, New York, on behalf of the United Nations, 1989, $80), analyses in detail 14 African countries, 10 macroeconomic models for Gabon, Ghana, Ethiopia, Kenya, Madagascar, Morocco, Senegal, Sierra Leone, Sudan and Tunisia, and gives baseline forecasts for six of them. It says the export-oriented strategy will keep Africa dependent on massive foreign aid, that financial crisis is eroding the gains of market reforms, and progress will depend on much greater international commitment and the continued resolve of Africa's people. ■



THE NEW CHAMPION OF THE WORLD

DJIBRIL DIALLO

The girl-child was the undisputed world champion in Jomtien, Thailand! She towered over all the other issues debated during the World Conference on Education for All, held in March. About time too! Compelling arguments are on her side. There are 233 million more women who are illiterate today than men. Girls have less access to education than boys, particularly in many Arab countries and parts of Asia. The novelty in Jomtien was that agreement on providing girls and women with basic learning needs united the religious and political systems to which the 1,500 participants from 155 countries belonged.

Girls need education not just for their future role in the family but also for their responsibilities in the society at large. It is in fact the only way forward for generations to come. James P. Grant, Executive Director of UNICEF, pointed out that "the children of more educated mothers have a greater chance of survival and of healthy growth than those of the less educated or illiterate." "When you educate a woman you educate a nation" was a widely quoted statement.

Let me hasten to add that the girl-child may have won the battle in Jomtien but she is far from winning the war. In the midst of all the attention for women and girls in Jomtien, International Women's Day — 8 March — passed unnoticed among the overwhelming majority of participants. No more than a dozen participants — mostly women — got together that evening and sang "We Shall Overcome". Expressions of solidarity are one thing, ending sexism and gender discrimination is another.

That being said, we have to admit that a major step in the right direction was taken in Jomtien.

The subject that came closest to disrupting the whole conference was the debt issue. There was a strong feeling among many delegations, particularly those from developing countries, that the draft declaration did not take enough account of the devastating impact of the external debt burden and structural adjustment on educational programmes. Delegates wondered aloud why such issues had been "lost" (or "dropped", depending on which side you are), even though they figured prominently in the regional meetings when the draft declaration was hammered out.

How else could the delegates have responded when so many of their countries were feeling the heat of the debt crisis? During the conference, several African countries were rocked by violent student demonstrations, partly in reaction to austerity measures imposed by the repayment of the debt. No wonder the Africans were among the most vocal on this subject in Jomtien. Minister Balla Keita of Côte d'Ivoire spoke passionately about the strains imposed on his country by the slump in world prices for cocoa, coffee and other commodities combined with debt repayments. Who could contradict him? Côte d'Ivoire was among those hit by student unrest and Mr. Keita was Minister of Education until just before the conference. The final declaration did recognize the need for innovation since "the capacity of many developing countries to respond effectively to education and other basic needs will be greatly helped by finding solutions to the debt problem." The World Bank promised to double its loans for education to $1.5 bn a year by 1993. The news was welcomed but there were also those who felt that this meant additional debt for the already indebted nations. UNICEF undertook to double its support to basic education by the mid-1990s. Some countries also pledged additional financial assistance.

Local obstacles and achievable targets

Unfortunately (or fortunately) money is not the only answer when it comes to education for all. There is the whole issue of the tremendous responsibility of the countries themselves in ensuring that education for all means for all. Such a process starts with clear identification of local obstacles and achievable targets. Let me state the obvious: unless the initiative to eradicate illiteracy by the year 2000 is sustained from within the countries themselves, we will be in a situation of eternal beginning.

Let's face it, good quality education does not have to be expensive. Good basic learning can be provided through cheaper and simpler means than many "experts" would care to think. One of the questions is whether educational objectves inherited from past decades, including the colonial era, are relevant to today's child living in an interdependent world. Zimbabwe's Minister of Education, Fay Chung, believes that "if you replicate colonial education, you replicate the same problems, which are conceptual." And she argued that "a successful plant must use the local climate, nutrients and systems of its own country in order to survive and grow strong."

And then there was all that 'cross-fertilization' — good United Nations jargon to indicate sharing of experience. I still remember the moving speech on AIDS by Mechai, Thailand's "condom man." Mechai has the knack of getting very serious messages across with light touches. He deplored the fact that the deadly disease had not been the subject of separate discussion, and urged that AIDS education be part of primary school curricula. It is said that when it came to giving a name to condoms in their language, the Thais just called it "Mechai", after the man who spent so much of his talent and energy advocating AIDS education and the use of condoms.

I should also mention the venue of the Conference, which was something out of this world. The Ambassador City Jomtien Hotel has earned the title of the biggest hotel complex in Asia. With a capacity of 3,000 beds, it stretches over 500 metres from a beach-front to a highway. The initial challenge upon arrival was just finding one's way around. Many of my African friends half-jokingly admitted that they kept getting lost and that they had problems locating their rooms. The Tuk Tuk (those wonderful, motorised three-wheelers) came in handy for getting from one end of the hotel to another. And I must say that the Thais went to town as far as hospitality is concerned. I just kept thinking about the endless hours of rehearsal that must have gone into the smooth running of such a mammoth operation. I also kept reminding myself of the great challenge which some of us at UNICEF are facing in the preparation of the first-ever World Summit For Children in September this year.

Meanwhile, the success of the Jomtien Conference will be measured by the extent to which it leads to political commitment on the part of the world's leaders to restructure priorities in favour of education for all. Only then will the word "Jomtien", which means "big candle" in Thai, become a beacon for the improvement of education all over the world. ■

The African Baobab is one of the world's hardiest trees, thriving in even the most arid environment. It is also the tree under which some Africans traditionally meet to decide issues of common concern.

AFRICA WATCH

CAMEROON

New focus on social dimension

Donors have pledged support for an $85 mn programme to alleviate the social costs of adjustment. The government presented the plan to a meeting of donors in Paris on 27/28 February organized by the World Bank. The Bank itself is expected to provide some $20 mn, with other funding coming from the UN Development Programme, African Development Bank, the European Community and a number of bilateral donors. The four-year programme will aim to improve basic services in health, education and family planning. Support will be given to community-based income-generating activities and to efforts to promote the economic participation of women. Devising the appropriate operational elements of a strategy to integrate the social dimension into adjustment efforts was a clear priority, the meeting concluded. To date 14 social dimension of adjustment projects have been appraised, of which seven are operational. ■

Tom Mathews

Ambassador Olara Otunnu of Uganda has been appointed President of the New York-based International Peace Academy (IPA). At a United Nations reception for him and his predecessor, General Inder Jit Rikhye of India, Secretary-General Javier Pérez de Cuéllar welcomed the appointment of Mr. Otunnu "whose experience of the UN system, especially in the area of peace and security, is widely known and appreciated." Mr. Otunnu has previously served as Uganda's Permanent Representative to the UN and as foreign minister.

POPULATION

Africa set for record population growth

Population growth in Africa averaging 3 per cent a year in the 1990s will be "the fastest rate in human history for an entire region," says Dr. Nafis Sadik, Executive Director of the UN Population Fund (UNFPA). In its latest report, *State of the World's Population 1990*, UNFPA calls for decisive action to slow down population growth in the world, attack poverty and protect the environment. It argues that aid and adjustment policies must be tailored to help developing countries spend at least 5 per cent of their GNP on health (including family planning) and education, making human resource development the highest priority of the Fourth Development Decade.

The report says that Africa, which currently has 12 per cent of the world's population, will contribute 23 per cent of world population growth this decade. It warns of the increasing pressure on land, food and water supply, on job creation, on shelter, and on the environment, concluding that slower population growth, especially in Africa, "will be a crucial part of any strategy of sustainable development."

From today's population of 648 million, Africa would have 1.58 billion people in 2025 according to current trends. Dr. Sadik argues that the surest way of achieving sustained decline in Africa's birthrate is to prioritize social investment, with the emphasis on improving education for females, and making family planning as widely available as possible to men and women. ■

MADAGASCAR

Funding to protect the environment

Donors pledged some $85 mn in Paris on 14-15 February for an environmental action plan in Madagascar designed to slow the alarming rate of deforestation and erosion. Spread over five years, the programme will also strengthen institutions responsible for developing and implementing environmental protection policies and laws. Participants at the meeting chaired by Madagascar's Minister of Economy and Planning Jean Robiarivony, included France, US, UK, West Germany, Norway, and Switzerland. ■

IMF

Africa's prospects stay poor

A continuing "weak outlook" for Africa's commodity prospects over the next few years will allow "little scope for recouping the real income losses of the last decade," the International Monetary Fund (IMF) says in its latest *World Economic Outlook*. Africa's terms of trade are expected to fall by over 2 per cent this year and again in 1991 and by 7.3 per cent and 3.1 per cent respectively for sub-Saharan Africa. This is mainly because of a more than 10 per cent fall in non-fuel commodity prices expected this year with only a marginal upturn projected for 1991. Africa's real GDP is expected to grow by 2.7 per cent and 2.9 per cent over the next two years — after growing by 2.9 per cent in 1989. The increase is higher for sub-Saharan Africa — 2.6 and 3.4 per cent — but will not be enough to reverse the continuous fall in per capita incomes since 1987. ■

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